NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS Congressional Information Service
Washington, D.C.

S. HRG. 101-389, PT. 1

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 2990/H.R. 3566

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1990, AND FOR OTHER PURPOSES

Part 1 (Pages 1-948)

ACTION
CORPORATION FOR PUBLIC BROADCASTING
DEPARTMENT OF EDUCATION
DEPARTMENT OF LABOR
FEDERAL MEDIATION AND CONCILIATION SERVICE
FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE
NATIONAL COMMISSION TO PREVENT INFANT MORTALITY
NATIONAL COUNCIL ON DISABILITY
NATIONAL LABOR RELATIONS BOARD
NATIONAL MEDIATION BOARD
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
PHYSICIAN PAYMENT REVIEW COMMISSION
PROSPECTIVE PAYMENT REVIEW COMMISSION
RAILROAD RETIREMENT BOARD
U.S. BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE
U.S. INSTITUTE OF PEACE
U.S. SOLDIERS' AND AIRMEN'S HOME

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
93-211 WASHINGTON : 1990

5181-10

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

93-211 O - 90 - 1

COMMITTEE ON APPROPRIATIONS

ROBERT C. BYRD, West Virginia, *Chairman*

DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
QUENTIN N. BURDICK, North Dakota
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DeCONCINI, Arizona
DALE BUMPERS, Arkansas
FRANK R. LAUTENBERG, New Jersey
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HARRY REID, Nevada
BROCK ADAMS, Washington
WYCHE FOWLER, JR., Georgia
J. ROBERT KERREY, Nebraska

MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
JAMES A. McCLURE, Idaho
JAKE GARN, Utah
THAD COCHRAN, Mississippi
ROBERT W. KASTEN, JR., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHARLES E. GRASSLEY, Iowa
DON NICKLES, Oklahoma
PHIL GRAMM, Texas

JAMES H. ENGLISH, *Staff Director*
MARY S. DEWALD, *Chief Clerk*
J. KEITH KENNEDY, *Minority Staff Director*

SUBCOMMITTEE ON DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES

TOM HARKIN, Iowa, *Chairman*

ROBERT C. BYRD, West Virginia
ERNEST F. HOLLINGS, South Carolina
QUENTIN N. BURDICK, North Dakota
DANIEL K. INOUYE, Hawaii
DALE BUMPERS, Arkansas
HARRY REID, Nevada
BROCK ADAMS, Washington

ARLEN SPECTER, Pennsylvania
MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
WARREN RUDMAN, New Hampshire
JAMES A. McCLURE, Idaho
THAD COCHRAN, Mississippi
PHIL GRAMM, Texas

Majority Professional Staff

J. MICHAEL HALL, JAMES J. SOURWINE, PETER ROGOFF, CAROL C. MITCHELL, and AMY J. SCHULTZ

Minority Professional Staff

MAUREEN BYRNES and CRAIG A. HIGGINS

Administrative Support

NANCY C. ANDERSON, SANDRA J. KRUHM, and DONA L. PATE

CONTENTS

THURSDAY, MARCH 9, 1989

Page

Department of Labor:
- Secretary of Labor 1
- Office of Inspector General 137

FRIDAY, MARCH 10, 1989

Railroad Retirement Board 165
ACTION 227
National Council on Disability 267
Federal Mediation and Conciliation Service 293
National Mediation Board 299
Federal Mine Safety and Health Review Commission 335
Occupational Safety and Health Review Commission 343
National Labor Relations Board 355

FRIDAY, MARCH 17, 1989

U.S. Bipartisan Commission on Comprehensive Health Care 385
Physician Payment Review Commission 399
Prospective Payment Review Commission 433
National Commission to Prevent Infant Mortality 457
Corporation for Public Broadcasting 477
National Commission on Libraries and Information Science 515
U.S. Institute of Peace 543
U.S. Soldiers' and Airmen's Home 567

TUESDAY, APRIL 4, 1989

Department of Education:
- Secretary of Education 583
- Special Institutions:
  - Howard University 671
  - Gallaudet University 675
  - National Technical Institute for the Deaf 684
  - American Printing House for the Blind 691
- Elementary and Secondary Education 719
- Office of Special Education Rehabilitation 719
- Vocational and Adult Education 719

FRIDAY, APRIL 7, 1989

Department of Education:
- Office of Inspector General 829
- Office of the Secretary 867
- Educational Research and Improvement 867
- Office of Postsecondary Education 867

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

THURSDAY, MARCH 9, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 3:05 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Inouye, Specter, Stevens, and McClure.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY OF LABOR

ACCOMPANIED BY:

ROBERTS T. JONES, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

OPENING REMARKS

Senator HARKIN. The Appropriations Subcommittee on Labor, Health and Human Services, and Education will come to order.

Today is the first of 19 regular hearings scheduled by the Labor, Health and Human Services, and Education Subcommittee to examine the administration's appropriations request and to hear the viewpoints of public witnesses.

We are delighted and honored to have Secretary Elizabeth Dole as our first witness for these regular hearings. Mrs. Dole did an excellent job as Secretary of Transportation, and I am confident she will do a great job as Secretary of the Department of Labor.

The Labor Department has more than 18,000 employees, and the budget considered by this subcommittee exceeds $9 billion. The Department has major regulatory responsibilities for protecting America's work force, but the bulk of its appropriated funds, $7 billion or 76 percent, are for employment and training programs.

This year, as a part of the appropriations process, I want to focus on areas of waste, overlap, and excessive spending to attempt to eliminate all unnecessary Federal spending. I completely support the deficit targets and want to assist in helping to meet those targets. Needless to say, there are endless demands for a very limited amount of money. For that reason, with the Department of Labor this afternoon and all the agencies that follow, I do intend to explore with the agency witnesses areas of potential excessive spending.

In that regard, Madam Secretary, I am particularly concerned about the possibility that the Department of Labor is spending at least—and I say at least—$26 million unnecessarily in the on-the-job training program. Information developed for me by GAO, following a report they did last September, suggests that out of 50 low-skilled occupations, more than one-half of the on-the-job training contracts are providing excessive amounts of training.

In fact, on average those contracts which do provide excessive training provide twice the amount recommended by the Department of Labor in its Dictionary of Occupational Titles. This afternoon we'll hear about dishwashers who are receiving twice the amount of training as recommended by the Department of Labor. We'll hear about day care workers who are provided with 50 extra days of training over and above the top end of the range as recommended by the Department of Labor.

Now, I might be less inclined to be concerned if we were training the least job-ready in these programs but, in fact, the Department of Labor only reaches 13 percent of those least job-ready in these OJT programs. This further suggests to me that these extra days of training time, where we pay 50 percent of the salary, are truly wasted and unnecessary Federal spending. This is an issue that I want to discuss this afternoon with you, Madam Secretary.

I also want to talk with you about the growing problem of the mismatch between skill levels and the skills required by the jobs that need to be filled. This problem will only get worse between now and the year 2000. Resolving this problem is essential to our Nation's competitiveness in world markets.

The Federal Government's array of job training programs available to meet this problem has become quite complex. Not only are these programs in the Departments of Labor and Health and Human Services, but also in the Department of Education and the Veterans Administration.

My concern is that these programs seem to lack a coherent national focus. They have a lot of overlap. As I said, we cannot afford to waste resources on duplication and overlap, nor should we fail to examine the effectiveness of these various programs. In some cases, it appears much remains to be done to identify the outcomes these programs are intended to achieve.

So, Madam Secretary, I extend a warm welcome to you in this, your first appearance before this subcommittee. This may be a new role to you, but you are also known as a veteran to many members of this committee and the Senate, and I hope you know that you are held in the highest regard by all of us.

At this point, I would recognize Senator Stevens for any opening statement.

Senator STEVENS. I am pleased to be here with my friend and Secretary of Labor. I have no opening statement.

Senator HARKIN. Senator Inouye.

Senator INOUYE. Thank you, Mr. Chairman.

Madam Secretary, I wanted to be here personally to congratulate you on your new appointment as well, and to assure you of my cooperation in every endeavor. It has been a pleasure working with you in other projects. I am certain we will have new projects to work on.

PREPARED STATEMENT

I wish to submit a statement, Mr. Chairman, if I may, to be addressed to the Secretary. It is a small item. It relates to American Samoans. They're lowest median income range, lowest proportion of high school graduates in the United States, and the poorest of the poor. And I wanted this matter to be brought to your attention.

Thank you very much.

[The statement follows:]

STATEMENT OF SENATOR DANIEL K. INOUYE

I would like to thank you, Madame Secretary, and your staff for working with me to provide job training services to Samoans who have the highest proportion of people living in poverty, the lowest median household and family income and the lowest proportion of high school graduates of any group in the United States. Samoans in Hawaii are even more economically disadvantaged than their counterparts on the mainland. This is primarily a result of the higher proportion of recent immigrants entering Hawaii. This is also true of the high number of Pacific immigrants entering Hawaii. Hawaii is usually the first place of entry for these immigrants. Accordingly, they are in need of special attention that is sensitive to their culture and language if we are going to assist them in becoming productive members of our society. Samoans and other Pacific immigrants have the will and desire to succeed. With our targeted assistance, they will.

Hawaii's labor climate is different from most of its sister States. Hawaii is currently suffering from a severe labor shortage. Our unemployment rate has consistently been 3 percent or less. This is, in turn, decreases Hawaii's share of Federal job training funds. At first glance, our low unemployment rate sounds ideal. However, on closer examination, this critical labor shortage is stifling businesses and forcing them to remain at a status quo when there is a market for expansion. Some of Hawaii's hotels and restaurants, previously known for their attentive service, have just enough employees to continue operations. If culturally sensitive and bilingual job training programs are implemented, these Samoans and Pacific immigrants could fill these jobs, and Hawaii can continue to properly welcome visitors with the "Aloha Spirit."

Plans are currently underway to utilize the funds appropriated for fiscal year 1989 to continue to assist Samoans in California and Hawaii, and to include other Pacific immigrants in the program in Hawaii. There are a few technicalities that need to be ironed out, either administratively or through supplemental appropriations language. I have all the confidence that it will. Accordingly, I want to thank you for your willingness to assist Samoans and targeted Pacific immigrants in need of special job training attention. I look forward to working with you and your able staff in the 101st Congress.

PREPARED STATEMENT OF SENATOR STEVENS

Senator HARKIN. We will leave the record open. I know that Senator Cochran had a statement also to insert in the record.

Senator STEVENS. I do have a statement for the record, but not an opening statement.

Senator HARKIN. It will be left open for that.

[The statements follow:]

Statement of Senator Ted Stevens

I would like to let you know about the severe unemployment and economic situation in Alaska, which I am sure you have seen in your own statistics. In rural Alaska, there is in the neighborhood of 80 percent unemployment, and the employment that does exist is with government.

We have applied for a Federal Job Corps Training Center, as we send 150 to 200 youth outside every year for training. A number of them don't succeed, because they are too far from things familiar, from family and home. The Alaska Natives, who experience most of these problems in the villages, came to Washington last week to testify before the Senate Indian Affairs Committee. They documented many problems which relate to unemployment, and the Senate Indian Affairs Committee chair, Senator Inouye, stated he would place the full force of the Committee behind Alaska's bid for a Job Corps Center.

We understand that the initial cuts, which were to be in early March, are now not expected until perhaps early April. We would like your full consideration of Alaska's bid, particularly in light of this severe unemployment. Alaska's insured unemployment figures have steadily increased each week from the mid-January figures of 6.6 percent to 7.5 percent the week of February 4.

In addition, we'd like the Department of Labor's assistance in helping us with the impact of our unemployment. What funding is currently available for displaced worker programs? As you know, most of our economic situation is due to the drop in the price of oil. Many of our citizens worked directly in the oil industry, or in industries that depended on the profitability of the oil industry. We need programs that would help retrain these employees.

I have corresponded with the people in the Bureau of Apprenticeship and Training about the determination of grade level for the Alaska Bureau of Apprenticeship and Training State Director, and my belief that the grade level should reflect the size of the State and diversity of needs. These factors, and not merely the size of population, should be given weight in that determination.

The Over-the Horizon Backscatter Radar project, which the U.S. Air Force plans to build in Alaska, may also offer some relief in our unemployment problems. This program is intended to provide early warning of any Soviet attack, through construction at Gulkana and Tok, some of the few areas in Alaska which can be reached by road. Are there funds available in the Department of Labor which would help train our citizens to operate the electronics and radar systems at these stations once they are completed. If they obtain training, they would be in a better position to bid on this part of the program.

Statement of Senator Thad Cochran

Mr. Chairman, I look forward to working with Secretary Dole on the fiscal year 1990 budget for programs administered by the Department of Labor.

As a new member of this subcommittee, who, like the chairman, also has the privilege of serving on the authorizing committee, I am aware of the Secretary's commitment to closing the skills gap. I want to assure her of my support for her efforts to ensure that the limited funding that is available is applied to the most effective programs to overcome the skills gap of today and prevent it from widening in the future.

I would also like to bring to the attention of the Secretary and the subcommittee the problems that continue to impair the ability of the employment service in my State, and perhaps in other States, to deliver basic services. As reductions in federally appropriated administrative funds have occurred over the past several years, delivery of employment services to those in need has been limited.

While most of the country has experienced very significant reductions in unemployment in recent years, Mississippi continues to experience a rate of about 9 percent which is almost twice the national rate. And, some counties have rates that are substantially higher.

I hope that the Secretary and her staff will take a careful look at this problem and work with the subcommittee to find some solutions.

Again, I commend the Secretary on the commitment and hard work she has demonstrated in her new position, and I look forward to working with her and my colleagues on the subcommittee in developing the fiscal year 1990 appropriations levels for the Department of Labor.

INTRODUCTION OF ASSOCIATES

Senator HARKIN. Again, Madam Secretary, welcome. And please proceed, and if you would, just for the recorder and for my own knowledge, identify the people or let the people identify themselves at the table.

Secretary DOLE. Thank you very much, Mr. Chairman. I'm just delighted to have this opportunity to appear before you and other members of the subcommittee to discuss the Department's fiscal year 1990 budget request. I would like to introduce Bob Jones, who I'm sure is no newcomer to this committee. He is the Assistant Secretary for Employment and Training. And Tom Komarek, Assistant Secretary for Administration and Management; and Jim McMullen, who is the Budget Officer for the Department of Labor. I am pleased to have them with me today, and we will certainly try to be responsive to any questions that you might have. First, I would like to make a statement.

OPENING STATEMENT

This, of course, is my first appearance before your committee since being confirmed as Secretary of Labor, and I am pleased to be giving you an overview of the major goals that I have for the Department and the approaches outlined in this budget request.

As I mentioned during my confirmation hearing, the economy has created 19 million jobs since November 1982, 90 percent of which have been full-time positions. Unemployment is at a 14-year low, and our growing economy has created two and one-half times the number of jobs of our six largest industrialized competitors combined. We must continue this pace of job creation and economic expansion because a vibrant, job-creating economy will be the foundation for this country's social progress, a rising standard of living, and an enhanced ability to compete abroad.

DEPARTMENTAL GOALS

The future mission of the Department of Labor will be to coordinate a strategy of growth plus, growth in the economy, plus policies to help those for whom the jobs of the future are now out of reach because of a skills gap, family pressures or the lack of supportive policies. As I see it, the mission of the Department of Labor will encompass five major goals.

First, we must work together to ensure that American workers are the world's best trained and most highly skilled, placing special emphasis on the disadvantaged among us to ensure their full participation in the opportunities that lie ahead. Mr. Chairman, we truly have an opportunity to work together to fulfill a dream that every person who wants a job has a job if they are provided the proper skills and education.

Second, we must develop policies to ensure that work and family are complimentary, rather than competing activities.

Third, we must develop a sound comprehensive pension policy that brings a measure of rationality to the demographic and social changes upon us.

Fourth, we must ensure that the American work place is as safe and secure as we can make it.

Finally, we must encourage management and labor to continue to move beyond confrontation and conflict, to work together on behalf of interests held in common.

I might just mention that the week before last I was in Florida for the AFL-CIO meeting. I had an opportunity there to highlight a number of the labor-management cooperative projects which are underway now and also to visit with Al Shanker, one of the leaders of the Dade County project which has been a real model. I think that there is much more that we can do concerning labor-management cooperative projects, and I look forward to working with labor and management to accomplish those goals.

FISCAL YEAR 1990 BUDGET REQUEST

Mr. Chairman, I believe that we in the Department of Labor can accomplish these goals within an atmosphere of fiscal constraints and still make progress toward reducing the Federal deficit.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, on February 9, 1989, President Bush announced his budget plan, which included specific recommendations for several initiatives.

The President has also announced his plans for achieving a substantial reduction in the deficit through use of a portion of the projected $80 billion growth in revenue for this purpose, while at the same time freezing a residual category of mainly discretionary domestic programs totaling $136 billion at the 1989 level. The Bush administration has begun negotiations with the Congress on the budget plan as a whole, including this residual freeze category, of which the Department's discretionary programs are a part.

Until the outcome of the negotiations with the Congress is known, we are treating the Reagan budget proposals as if they were Bush proposals. My staff helped develop them, has reviewed them with me, and I hope that many of them will be included in the eventual compromise budget resolution. We have already incorporated known changes to reflect the President's special initiatives.

Briefly, the fiscal year 1990 Department of Labor budget now before you contains a request for new budget authority in the amount of $6.6 billion. An additional $2.8 billion is requested in trust fund limitations. I'll discuss the Department's proposed supplementals and rescission for fiscal year 1989 later on during my statement.

LEGISLATIVE INITIATIVES

With respect to legislative initiatives, the budget anticipated that legislation would again be proposed to amend title II-B of JTPA to allow local service delivery areas the option of providing a new program of year-round remedial education and basic literacy and skills training for at-risk youth, retaining the traditional Summer Youth Employment and Training Program, or providing a combination of the two programs. Now, we are assessing this youth proposal, Mr. Chairman, and we may, in its place, submit a new proposal which more broadly addresses the problems of at-risk youth. The request

for the title II-B program is $709.4 million, the same as the fiscal year 1989 amount.

Legislation will also be proposed to amend the JTPA Job Corps authorization to increase the statutory limitation on the number of nonresidential slots from 10 to 20 percent. In fiscal year 1990, the Job Corps request is $761.6 million, which is sufficient, we believe, to maintain the current level of 40,544 slots in active centers. No additional funds are requested for new center construction. Funds have already been appropriated to construct four of the proposed six new centers. Funds for the remaining two new centers will be considered during the fiscal year 1991 budget process.

EMPLOYMENT AND TRAINING ADMINISTRATION REQUEST

I will now provide a summary of the Department of Labor's fiscal year 1990 budget requests which are in addition to those already mentioned.

The fiscal year 1990 request for the JTPA block grant to States program is $1.8 billion, the same as the fiscal year 1989 amount. This will provide services to an estimated 1.2 million participants, which is approximately the same level to be served in 1989.

The request for other nationally administered JTPA programs such as those for native Americans and for migrant and seasonal farm workers is $189.5 million. In addition, the budget includes a request for $13 million for job training for the homeless. This is an increase of $3.6 million over the level requested in the Reagan budget and brings the request up to the authorized level for this program.

The fiscal year 1990 request for the new JTPA title III program, authorized by the Economic Dislocation and Worker Adjustment Assistance Act, is $400 million. An estimated 295,000 dislocated workers will be served during the 1990 program year.

The request for the "Federal unemployment benefits and allowances" account is $284 million in 1990, of which $210 million is for trade adjustment assistance [TAA] benefits and $74 million is for TAA training payments. This account combines training resources previously contained in the training and employment services appropriation. This request is a change from the Reagan budget which has proposed repealing the TAA authorization. The Bush request continues the TAA cash benefits program at current service levels and continues funding for training as well.

The request for the Community Service Employment for Older Americans Program is $336 million. This is a decrease of $7.8 million from fiscal year 1989. Evidence of tightening labor markets and skill shortages confirms that the private sector is already responding to a growing need for these experienced workers.

The budget includes approximately $1.7 billion for unemployment insurance administrative expenses. This reflects improvement in the economy over the past several years and the corresponding decrease in benefit workloads. For employment services, the request is for $737 million, of which $3.2 million represents an increase for State activities under the Immigration Reform and Control Act.

STAFFING LEVELS

With respect to those accounts which provide departmental staffing for employment and training administration, worker protection, labor and employment standards and statistics, we are proposing a net decrease of 238 FTE's, from 18,729 in fiscal year 1989 to 18,491 in fiscal year 1990. This net decrease results from a combination of reductions in certain accounts where efficiencies have been realized and increases in others where there are high priority needs.

The major increases proposed in specific accounts are as follows.

LABOR-MANAGEMENT SERVICES REQUEST

In the labor-management services appropriation, we are seeking an additional $1.5 million for continued development and operation of the Employee Retirement Income Security Act automated data base system, and a request for $1.2 million for pension and health care research.

EMPLOYMENT STANDARDS ADMINISTRATION REQUEST

For the Employment Standards Administration, our request includes an increase of 30 FTE's to provide an enhanced industrial homeworker enforcement program.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION REQUEST

For the Occupational Safety and Health Administration, $2.5 million is requested for the redesign of the OSHA safety and health statistical program to improve the timeliness of injury and illness reporting, and thus enhance OSHA's ability to target inspections.

MINE SAFETY AND HEALTH ADMINISTRATION REQUEST

For the Mine Safety and Health Administration, we are requesting $2.5 million for continued replacement of ADP systems, and $490,000 to finance regulatory analysis by contractors for health standards for the mining industry.

BUREAU OF LABOR STATISTICS REQUEST

For the Bureau of Labor Statistics, we have proposed an increase of six FTE's and $2.6 million to support the redesign of the current population survey. A redesign of the current population survey is needed to reflect changes in the complexity of labor markets, family composition, and household patterns. An additional $1.2 million is required for the Permanent Mass Layoffs and Plant Closing Program to maintain ongoing program operations in all States.

DEPARTMENTAL MANAGEMENT REQUEST

For the Departmental Management appropriation, we are requesting eight FTE's to handle increased workload related to compliance and adjudicatory activities.

VETERANS EMPLOYMENT AND TRAINING REQUEST

For the Veterans Employment and Training Program, let me just say it is all good news. We are requesting an additional 12 FTE's and $5.1 million. This will increase the level of funding for the Local Veteran's Employment Representative and Disabled Veterans Outreach Programs, the National Veterans' Training Institute, and also staff three additional regions, as required under the Veterans' Employment Training and Counseling Amendments of 1988, Public Law 100-323.

In those limited areas where we have proposed reductions, they relate to increased efficiencies or to planned program reductions. These will have no negative impact on the Department's enforcement or regulatory activities.

FISCAL YEAR 1989 SUPPLEMENTALS AND RESCISSION

Our budget request also includes three supplemental requests for 1989, Mr. Chairman, two of which affect Employment and Training Administration accounts.

First, in the training and employment services appropriation, an additional $34.6 million is required to finance increased training, job search, and relocation services required by the Omnibus Trade and Competitiveness Act of 1988. We are also requesting an appropriation language change to allow the use of Job Corps construction, rehabilitation, and acquisition resources for ongoing operations so that current enrollment levels can be maintained. The proposal will stipulate that $20 million is available for new centers, rather than the $36 million cited in the 1989 appropriations language.

Second, in the Federal unemployment benefits and allowances appropriation, an additional $92 million is required to finance benefits under the TAA program, as amended.

Third, we are proposing a supplemental and offsetting rescission in the Departmental Management appropriation to shift 25 FTE's and $1.4 million from black lung adjudicatory activities to handle increased workload under the Longshore and Harbor Workers' Compensation Act in the Office of Administrative Law Judges. The shift in resources reflects the Department's success in eliminating the black lung backlog at the Office of Administrative Law Judges. These resources are no longer needed to meet black lung program requirements.

PREPARED STATEMENTS

This concludes my prepared statement, Mr. Chairman. I would be happy to respond to any questions that you and the other Senators may have today. Thank you very much for the opportunity to present my statement.

[The biography of Hon. Elizabeth Dole and the statements follow:]

BIOGRAPHY OF ELIZABETH DOLE

Elizabeth Dole was sworn in by President Bush as the 20th Secretary of Labor in a ceremony at the Labor Department's headquarters on January 30, 1989.

As a member of the Cabinet, Mrs. Dole serves as the President's chief advisor on labor issues, as well as a key economic policy advisor. She guides a federal agency of nearly 19,000 employees, with a budget of more than $31 billion.

The laws enforced by the department range from child labor prohibitions to the security of retiree pensions.

Secretary Dole is responsible for protection of the wages, health and safety, and employment rights of working people; administering job training, unemployment insurance and workers' compensation programs; promoting equal employment opportunity; collecting, analyzing and publishing labor statistics, and strengthening free collective bargaining.

Secretary Dole is determined:

* To ensure that American workers are the world's best trained and most highly skilled, placing special emphasis on the disadvantaged;

* To develop policies that make work and family complementary;

* To establish sound and comprehensive pension and retirement policies;

* To see that the American workplace is as safe, as healthy, and as secure as we can make it, and

* To encourage management and labor to continue to move beyond confrontation and conflict and to work together on behalf on interests held in common.

As the longest-serving Secretary of Transportation -- from February 1983 until October 1987 -- Elizabeth Dole made safety her highest priority. Thanks to that commitment, and the changes she made at the Department of Transportation, the United States enjoyed the safest years in its history in all three major transportation areas -- rail, air and highway.

Bringing the same commitment to the Labor Department, Mrs. Dole has effectively worked to assure the safety and health of every worker in America -- whether on offshore drilling rigs, in aircraft at 35,000 feet, or in mines miles underground.

Prior to joining President Reagan's Cabinet, Mrs. Dole was Assistant to the President for Public Liaison at the White House. From 1973 until 1979, she served as a member of the Federal Trade Commission. Her public service has also included Presidential appointments as Executive Director of the President's Committee on Consumer Interests and as Deputy Special Assistant to the President for Consumer Affairs.

Mrs. Dole graduated with distinction in political science from Duke University, where she was president of the student government and elected to Phi Beta Kappa. She received her law degree from Harvard Law School and a master's degree in education and government from Harvard University.

Mrs. Dole currently serves as honorary chairman of the Board of Overseers at Duke Comprehensive Cancer Center and is a member of the Visiting Committee of Harvard University's John F. Kennedy School of Government. She recently received the Humanitarian Award from the National Commission Against Drunk Driving.

A native of Salisbury, North Carolina, Mrs. Dole was named in 1988 by the Gallup Poll as one of the world's ten most admired women.

STATEMENT OF ROBERTS T. JONES

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to appear here today. As we enter the 1990's, we must face up to our changing work force and new requirements of the workplace. It is imperative that all employment and training programs and activities be geared to preparing the work force for the projected needs of employers. We will continue to explore ways to better target services to those most in need, including welfare recipients, at-risk youth and the homeless; improve the basic job skills of new, young labor force entrants; and more effectively provide services to all workers, including dislocated workers, so they can find new jobs as quickly as possible.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives. At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. With one exception, the Bush request to finance job training for the homeless at the $13 million level authorized in the McKinney Act, the Employment and Training Administration's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I helped to develop them, and I hope many of them will wind up in the eventual compromise budget solution.

The budget request before you supports the priorities I outlined above while remaining fiscally responsible. These requests total $7.1 billion in the Reagan budget, the same level

overall as would be available for Fiscal Year 1989 after enactment of supplemental appropriations which we require.

The 1990 budget request for training and employment programs totals $4.2 billion and is comprised of $3.9 billion for Training and Employment Services and $336 million for Community Service Employment for Older Americans. The request for State Unemployment Insurance and Employment Service Operations is $2.5 billion. We are requesting $284 million for the Federal Unemployment Benefits and Allowances account, $33 million for the Advances to the Unemployment Trust Fund and Other Funds account, and $117 million for the Program Administration account which covers the fiscal year 1990 staffing and related expenses of the Employment and Training Administration.

Supplementals

Before discussing the details of our 1990 request, I would like to talk about the three 1989 supplemental requests included in our budget which affect two Employment and Training Administration accounts.

In the Training and Employment Services appropriation, the 1989 appropriation for Job Corps as presently configured does not provide adequate funding to cover the expenses of operating the program at its current level of 40,544 training slots. So that this level can be maintained, supplemental language has been submitted for your consideration to authorize the use for operations of up to $13.5 million of the $63.1 million currently appropriated for construction, rehabilitation and acquisition of Job Corps facilities. Under this supplemental, sufficient construction, rehabilitation and acquisition resources would still be available for needed improvements at existing centers and also include $20 million for new centers. This plus the $12 million available from the 1988 appropriation will fully finance the construction, rehabilitation, and acquisition of four of the proposed six new centers. Construction of these four centers will take place over the next several years with two centers to be opened each year in program year 1991 and 1992. Funds for the remaining two centers are not being requested at this time, but will be considered during the FY 1991 budget process.

As a result of the recently enacted amendments to the Trade Act, supplementals are required for both Trade training and Trade unemployment benefits. For Trade training, the proposed $34.6 million supplemental, when added to the $45.4 million currently available, will provide $80 million to finance the expanded program of training, job search and relocation allowances. For Trade benefits, the proposed supplemental of $92 million, along with $52 million in advances from the Advances to the Unemployment Trust Fund and Other Funds account will provide necessary resources to finance total projected benefits of $276 million. As will be discussed later, we are proposing to combine these activities in the Federal Unemployment Benefits and Allowances appropriation beginning in 1990.

Training and Employment Services

The Job Training Partnership Act (JTPA) is currently under review by a broad-based advisory committee, and I anticipate receiving the committee's report in March. Based on the committee's recommendations, the Administration will be examining what changes, if any, are needed to make a good program even better.

The 1990 request for the JTPA Block Grant is $1.788 billion, the same as the 1989 amount. This will provide services to an estimated 1.2 million participants, which is approximately the same level expected to be served in 1989.

The 1990 request for the Summer Youth Employment and Training Program, which would operate during the summer of 1991, is $709.4 million, the same as the 1989 amount. It would finance an estimated 604,500 summer jobs, the same level expected to be served by the 1989 appropriation. The budget anticipated that legislation would again be proposed to amend Title II-B of JTPA to authorize service delivery areas to provide, at their discretion, year-round remedial education and basic literacy and skills training to economically disadvantaged youth between the ages of 14 and 21, as well as continuation of summer jobs, if they so elect. The mix of services provided under this proposal would be determined by local areas based on their needs and priorities. We are now reassessing this youth proposal and may, in its place, submit a new proposal which more broadly addresses the problems of at-risk youth.

Program Year 1990 will be the second year of operation for the new Economic Dislocation and Worker Adjustment Assistance (EDWAA) program authorized by the Omnibus Trade and Competitiveness Act of 1988. The 1990 request for EDWAA is $400 million, an increase of $116 million over 1989. An estimated 295,400 dislocated workers are expected to be served during the 1990 program year. Universal rapid response capability, early intervention activities, the availability of needs-related payments to assist workers in training, and the establishment of substate delivery systems all indicate that the new program should be significantly more efficient in identifying dislocated workers early and providing them aid promptly. Although the funding for this program is less than the level authorized, the change in policy regarding the Trade Adjustment Assistance program discussed below and the mandatory reallotment provisions of the new law should result in substantial coverage of affected workers. In total, $684 million in training and cash benefits is requested for dislocated workers in 1990.

The Job Corps request of $761.6 million, is sufficient to maintain this program at the current 40,544 slot level. Since none of the additional new centers financed in the 1988 and 1989 appropriations will be ready for activation before 1991, the 1990 request provides only for Job Corps centers that are already in place. To provide increased flexibility in managing the program and in response to changing financial requirements, it is requested that no statutory earmarking of the facility-related funding be made and that Congress provide a lump sum amount for the program rather than separate appropriations for operations and

facility construction as was provided in 1988 and 1989. In both these years a supplemental appropriation became necessary to authorize the transfer of amounts from construction to operations to ensure the continuation of the program at full capacity.

The 1990 Job Corps request includes $1.5 million to expand child care services for corpsmembers with family responsibilities. Legislation will also be proposed to amend the JTPA Job Corps authorization to increase the statutory limitation on the number of non-residential slots from 10 to 20 percent. This would facilitate a higher level of enrollment by young women, especially those with child care responsibilities. Our request assumes the passage of this amendment which would increase the number of nonresidential slots by 4,050 and reduce operating costs by approximately $8 million per year.

In addition, the Department proposes to reduce the costs of the Job Corps Civilian Conservation Centers (CCC's) by competitively bidding the administration and staffing of the centers operated by the Departments of Agriculture and Interior. If all centers up for competition are converted to private contracts this results in a net increase of $2 million in 1990 when 10 centers will be competed. The full benefit of savings from competing all 30 CCC's will be realized by 1993 with an annual savings of approximately $6.5 million.

The request for other nationally administered JTPA programs such as those for Native Americans and for migrants and seasonal farmworkers is $189.5 million. Funding for Migrants, Native Americans and Veterans is requested at the statutorily-authorized levels. An increase of $5 million is requested for Research and Evaluation, which restores it to previous years levels and provides for an evaluation of Job Corps. No separately identified funding is requested for Rural Concentrated Employment Programs or American Samoans, because these geographic areas and population segments can and will continue to be served locally under the JTPA block grant in accordance with JTPA requirements in effect for other areas and populations. In addition, as noted above, the budget as recently amended by the President includes a request of $13.0 million, the total amount authorized, for assistance to the homeless under the Stewart B. McKinney Homeless Assistance Act.

Community Service Employment For Older Americans

The request for the Community Service Employment for Older Americans Program is $336 million, a decrease of $7.8 million from 1989, and will finance an estimated 64,300 jobs. This level returns the program to approximately the same slot level supported in 1988. Evidence of tightening labor markets and skill shortages confirms that the private sector is already responding to a growing need for these experienced workers.

State Unemployment Insurance and Employment Service Operations

The 1990 request for State Unemployment Insurance and Employment Service Operations is $2.5 billion. These funds finance State administrative costs of unemployment insurance and

employment service activities and with the exception of $22 million in general revenue funds are all trust funds.

For unemployment insurance operations we are requesting $1.7 billion, which will support workloads anticipated under the projected insured unemployment rate of 2.0 percent. The basic funding rate for unemployment insurance will finance costs associated with workloads averaging 1.7 million claims per week nationally, down from 1.8 million in 1989, and reflecting the improved economy and lower unemployment workloads that have occurred over the past few years. Administrative costs associated with workloads above the 1.7 million base level would, as usual, be financed from contingency funds.

In addition to net mandatory increases of $17.7 million, we are requesting additional funds of $63.1 million in order to fully finance the projected State salary and fringe benefit costs, and the projected State postage costs. A total of $19.1 million is requested for updating State automated systems for benefit payments and collection of taxes, and reflects the restoration of the 1989 appropriation reduction of 1.2 percent. The request for UI National Activities is $6 million, a decrease of $4 million from 1989. The decrease reflects the reduced need for funds for UI Reform activities and automated data processing equipment for State quality control programs. The financing of four State Employment Service agencies with independent retirement plans has been transferred from UI to the Employment Service request for 1990.

The request for the Employment Service of $736.7 million includes $692.1 million in formula State allotments for Program Year 1990, and $44.6 million for National Activities. The formula State allotments amount represents a $71.7 million reduction from the 1989 level of operation. This deficit cutting measure is believed possible with no significant reduction in services to the public. The request for ES National Activities of $44.6 million is $9.2 million below the 1989 comparable level. We are not requesting continued funding of the Targeted Jobs Tax Credit program which expires December 31, 1989. Increased funds are requested for immigration activities at the State level, and $3 million is requested for funding four States with independent retirement plans in their Employment Service agencies.

Advances to the Unemployment Trust Fund and Other Funds

A total of $33 million is requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund are expected to be sufficient for payment of benefits and thus will not require advances. The Black Lung Disability Trust Fund is administered by the Employment Standards Administration, and they can more fully explain the details of this request.

Federal Unemployment Benefits and Allowances

The request for the Federal Unemployment Benefits and Allowances account is $284 million in 1990, all for programs authorized by the Trade Act. This includes $210 million for unemployment benefits and $74 million for training payments. The

account combines training resources previously contained in the Training and Employment Services account.

The Reagan budget proposed eliminating the authorization for these Trade Act programs in 1990. However, the Bush budget proposes to retain these programs in that year.

Program Administration

The 1990 request for ETA's Federal administrative requirements totals $117 million and will support 1,753 full-time equivalent (FTE) positions, the same number of FTE financed in the 1989 budget. The request includes reductions in funding for several programs, including Unemployment Insurance Research and Training, reflecting the completion of initiatives funded in 1989, equipment purchases reflecting completion of large ADP enhancements, and continuing efforts to rationalize Federal spending wherever possible. Also requested are a number of relatively small adjustments in staffing levels within the agency to accommodate changes in program workloads.

This concludes my statement, Mr. Chairman. My staff and I will be glad to answer any questions you, or members of the Subcommittee, may have.

STATEMENT OF JOHN R. STEPP

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to discuss the budget request for fiscal year 1990.

The fiscal year 1990 request for the Bureau is $5,883,000 and 71 FTEs. The Bureau intends to deploy these resources to further develop a series of action-oriented initiatives which directly assist employers, employees, and unions to practice more cooperative, less adversarial labor relations practices. In past years, the Bureau sponsored national conferences and workshops and published research studies designed to introduce audiences to the importance and benefits of partnerships between labor and management. In 1990, we intend to move this effort to the next level--to provide targeted technical assistance to help enterprises and their unions actually implement effective workplace partnerships.

To accomplish this, the Bureau developed and has been testing (with the assistance of the Federal Mediation and Conciliation Service) two training programs that explain key concepts and necessary ingredients needed to start cooperative labor-management practices within specific organizations. In 1990, the training effort will be expanded to provide companies and unions with comprehensive information on joint labor-management initiatives, labor-management committee effectiveness, grievance mediation, and principled (win-win) negotiations.

To support this, the Bureau has been sponsoring a demonstration project with Harvard-MIT, aimed at changing the general climate and structure of traditional labor and management negotiating relationships. The purpose will be to help the parties involved in collective bargaining develop new tools which will enable them to shift to a less adversarial form of problem-solving.

Another important activity in 1990 will continue to be the training and technical assistance provided by the Bureau's Industrial Adjustment Service program to encourage the use of in-plant labor-management-neutral committees to speed effective adjustment efforts in plant closings. The Bureau will also promote alternatives to layoffs and plant closings.

The Bureau will continue its involvement in conferences, symposiums, and workshops to promote the use of the Bureau's resources, identifying new constituents, provide information on labor relations trends and the workplace of the future, and conduct educational workshops which expose labor-management practitioners to new approaches and techniques in labor relations.

The Bureau's publications program will be expanded in 1990 to provide additional specialized informational materials to complement the Bureau's training and technical assistance efforts and to promote its services. These include video case studies, training manuals, and other substantive reports on new industrial relations practices. Many of these materials will be suitable for use in business schools and other educational settings. The Bureau will continue publishing its bimonthly newsletter "Labor Relations Today," which now reaches more than 11,000 decisionmakers throughout the U.S.

Other targeted information activities include the expansion of the Bureau's computerized data clearinghouse which contains basic information about cooperative programs operating in the private and public sectors.

The delivery and marketing of these services and resources will be aggressively expanded in 1990 to reach wider audiences. A key strategy will be to create (and train) a potential network of "distributors"--including Area Labor-Management Committees, university centers, labor education centers, and the Federal Mediation and Conciliation Service--to help effect a timely and direct exchange of knowledge and experience on cooperative labor-management practices.

Mr. Chairman, heightened international competition, combined with changing technologies, work structures, and workforce demographics, have created a compelling need to alter the traditional relationship between labor and management. Faced as we are with the globalization of our markets, American management and labor can no longer afford to attend only to their separate interests.

The challenge for the Bureau in the coming years is to help organizations find practical ways to develop a new relationship based on cooperation, mutuality, and common goals

and to make organizations which have succeeded the new standard for American enterprises. We have made considerable progress; we have much to do.

Thank you, Mr. Chairman, for the opportunity to make this statement. I will be glad to respond to any questions you may have.

STATEMENT OF WILLIAM C. WHITE

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you as Acting Assistant Secretary for Labor-Management Standards to discuss the budget request for fiscal year 1990.

The budget request before you reflects President Reagan's proposals for FY 1990. As you know, President Bush has announced his budget plan which includes specific recommendations for several special initiatives, as well as his plan for achieving substantial deficit reductions.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Department of Labor's dicsretionary programs are in this pool.

Pending the outcome of the budget negotiations with Congress, President Reagan's budget proposals are being treated as President Bush's proposals.

Our budget request for the coming year totals $25,493,000 and 424 FTE. This reflects an increase of $422,000 over the current year to cover increases for pay adjustments and inflation. In addition, a reduction of 11 FTE is reflected in association with a plan to contract out our file and disclosure operations.

The principal law administered by the Office of Labor-Management Standards (OLMS) is the Labor-Management Reporting and Disclosure Act of 1959, as Amended (LMRDA) (also known as the Landrum-Griffin Act). In addition, OLMS has responsibility for enforcing Section 1209 of the Postal Reorganization Act, the standards of conduct regulations implementing Section 7120 of the Civil Service Reform Act of 1978, and Section 1017 of the Foreign Service Act.

The LMRDA is the major federal law that deals with the relationship between a union and its members. Congress enacted the LMRDA to establish certain rights for union members, to require proper handling and safeguarding of union funds and

assets, to provide for the reporting and disclosure of financial transactions, and administrative practices of labor organizations and employers/labor relations consultants, to prevent abuses in the administration of trusteeships of labor organizations, and to impose standards on the frequency and conduct of union officer elections. The LMRDA applies to private sector unions, and, by virtue of the Postal Reorganization Act, to unions in the U.S. Postal Service. Similar provisions are contained in the Civil Service Reform Act and the Foreign Service Act for unions in the federal sector. OLMS does not have jurisdiction over unions representing state, county, or municipal employees.

OLMS enforcement and compliance assistance/education objectives reflect the dual goals of Congress in passing the LMRDA, namely, to guarantee minimum democratic standards for union members while providing for only minimal governmental interference in the internal affairs of unions. In carrying out its statutory responsibilities, OLMS objectives are (1) to detect and correct violations of the law through audit and investigative programs, with civil litigation and criminal prosecution of violators when appropriate, and (2) to encourage and improve voluntary compliance through education of, and assistance to, affected labor organizations and persons.

Specifically, OLMS performs four types of program activities:

- Civil and criminal investigations to determine if the LMRDA has been violated, particularly in regard to union officer elections and handling of union funds,

- Compliance audits to ensure that unions are following LMRDA provisions,

- Public disclosure of reports required by the LMRDA, and

- Education and compliance assistance activities to help union members understand their rights under the LMRDA and to encourage unions and others to comply with the law's provisions.

In FY 1988, OLMS received 163 complaints from union members alleging violations of the union officer election provisions of Title IV of the LMRDA and 17 complaints alleging violations of the trusteeship provisions of Title III. Ten of these involved international or national unions. Civil action was taken in 36 cases while 21 cases were settled by voluntary compliance. One of the civil actions challenged the election of the president of a national union with over 200,000 members. OLMS also supervised 52 union officer elections, one of which involved a national union's mail ballot election in which over 88,000 members participated.

OLMS criminal investigations primarily involve violations of the embezzlement provisions of Section 501(c) of the LMRDA. During FY 1988, 169 indictments and other criminal actions were returned and 181 convictions and Pre-Trial Diversion Agreements were obtained. This represents the highest number of

convictions in any fiscal year since the passage of the LMRDA. Nearly a million dollars in embezzled union funds were recovered during FY 1988 and $101,267 in fines were imposed by courts.

Another important agency activity is conducting compliance audits of international and local labor unions. Such audits are undertaken primarily to ascertain compliance with the criminal and civil provisions of the LMRDA and to provide compliance assistance to union officials. OLMS conducts these audits using streamlined auditing approaches under its International Compliance Audit Program (I-CAP) and Compliance Audit Program (CAP).

I-CAP audits were conducted in 28 international or national labor organizations in FY 1988. This represents the largest number of I-CAP cases completed in any year during the program's seven-year history. The organizations which were audited had combined annual receipts of $288 million and represent more than 828,000 members in 5,306 affiliated bodies. In addition, 553 CAP audits were conducted of local unions.

In carrying out its responsibilities in enforcing the reporting provisions of the LMRDA, OLMS opened 114 employer, consultant, and union officer and employee reporting investigations during FY 1988 for alleged failure to file reports required under Sections 202 and 203 of the LMRDA. Three cases were referred for litigation and 75 cases were closed--36 because compliance was achieved and 39 because no violations were found.

An Agency task force was assembled last fiscal year to review all aspects of the employer/consultant reporting program. Its recommendations covered a wide range of issues including case handling improvements, policy matters, and staff training needs. I approved the task force recommendations which will be implemented this fiscal year. The planned staff training and other changes should substantially improve the effectiveness of this important enforcement program.

In FY 1988, OLMS received and processed over 52,000 reports filed by unions, union officers and employees, employers, labor relations consultants, and surety companies. OLMS handled 10,009 disclosure requests involving 35,780 reports for a total of 352,934 pages of reports and attachments. In terms of public service contacts, OLMS responded to over 56,000 telephone inquiries, prepared 3,050 pieces of correspondence, and handled more than 3,300 walk-in visitors last year.

Field offices conduct various types of compliance assistance activities in order to promote voluntary compliance with the LMRDA and to complement civil and criminal enforcement programs. This includes seminars for a particular union affiliation or all unions within a geographical area. Contacts with top level international and national union officials are maintained to provide assistance, improve compliance, and promote increased awareness of statutory obligations. During FY 1988, OLMS distributed its new publication "All About OLMS" to all reporting unions, university labor education groups, and various government agencies. OLMS also continues publishing The Labor-

Management Standard, a newsletter initiated in 1987 for the approximately 200 international unions. This newsletter informs the international unions about OLMS compliance assistance and enforcement programs. As part of the publication, OLMS includes "LMRDA Compliance Tips" which are detachable sheets that can be distributed to affiliated locals to assist them in complying with various LMRDA provisions.

A new unit, the Division of Liaison, Compliance Assistance, and Training, was established in our National Office in January 1989. This unit is developing various programs designed to improve relationships between OLMS and international and national unions and to secure their assistance in obtaining voluntary compliance. In addition, more emphasis will be placed on developing compliance assistance programs and publications to help unions comply with the LMRDA.

An Agency task force was assembled last fiscal year to assess OLMS' use of computer technology. Recommendations encompassed numerous aspects of computer technology, including hardware and software needs, the use of telecommunications to link OLMS offices nationwide, program and administrative computer applications, and training to make all staff computer literate. The agency is also in the process of purchasing 75 lap-top computers for on-site audit/investigative use by investigators.

In FY 1990, OLMS will continue to maintain a strong, well-balanced enforcement program of civil and criminal investigations, as well as financial audits, with liaison and compliance assistance activities playing an integral part. OLMS also plans to implement a comprehensive new deficient reports program with standardized case-handling procedures; to refine audit/investigative activities and targeting techniques; to improve the surety company contact program; to simplify the union financial reporting requirements; to explore opportunities for joining activities and investigations with other Federal law enforcement agencies; and to increase the use of computers in processing financial reports and other data.

With implementation of these planned initiatives, OLMS will continue to effectively carry out its statutory objectives of ensuring basic standards of democracy and fiscal responsibility in labor organizations.

Mr. Chairman, I thank you for the opportunity to present our program accomplishments and initiatives to the Subcommittee and I will be glad to respond to any questions you might have.

STATEMENT OF DAVID M. WALKER

As the Secretary has already testified, the 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Pension and Welfare Benefits Administration budget is included in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I helped to develop them and I hope many of them will wind up in the eventual compromise budget solution.

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you today to discuss the Pension and Welfare Benefits Administration's (PWBA's) request of $43,831,000 and 505 FTE in President Reagan's budget. As you know, this represents our share of a total Labor-Management Services budget request of $75,207,000 and 1000 FTE.

Fiscal year 1988 was one of significant progress for the PWBA, especially with regard to our efforts to position the agency for the future. It was a year that saw us reach final agreement with the IRS regarding the development of a revised system for receipt and processing of the Form 5500 series. This agreement is an important part of our comprehensive ERISA Information System project. PWBA also initiated development of specifications for the various application programs which will provide much needed technological support to our enforcement, regulatory/policy analysis and research activities. In addition, a comprehensive fiduciary audit program was developed and initiated as required by the Federal Employees' Retirement System Act (FERSA) of 1986. PWBA undertook a number of applied research projects in several important and emerging employee benefit policy areas such as pension portability, access to health care, retiree health benefits, asset reversions, and the causes of pension plan underfunding. We also continued to: enhance the professionalism of PWBA staff through active recruitment efforts and extensive training programs, and enhance our program's technological capabilities.

During FY 1988, we promulgated a number of important regulations, exemptions and other guidance. Some of our more notable regulatory initiatives included the issuance of: final regulations relating to when participant contributions constitute plan assets and imposition of civil penalties for prohibited transactions involving welfare benefit plans; proposed regulations relating to participant loans, defining the term "adequate consideration"; the allocation of fiduciary responsibility under FERSA; class exemptions relating to residential mortgages and American Eagle Gold Coins; and guidance regarding how ERISA's fiduciary responsibilities apply to certain corporate governance issues such as proxy voting.

During FY 1989, readying the first part of the ERISA Data Base System for a July 1 implementation date will be one of our major focuses. This will consist of the implementation of data entry and edit systems for the 1988 plan year FORM 5500 filings. This major systems development effort is progressing on schedule, and PWBA is confident that its planning and project management will ensure successful implementation. Planning and development will continue on the enforcement targeting, policy analysis and research applications subsystems which will become operational between October, 1989 and January, 1990. The completion and implementation of the new and comprehensive ERISA Information System will significantly enhance the efficiency, effectiveness and credibility of PWBA's enforcement program. It is intended to provide PWBA with state of the art technology to assist the Agency in discharging its vast responsibilities while minimizing the need for additional staff. PWBA will also expand its recruitment and professional training programs and continue its FERSA audit program.

During FY 1989, PWBA will continue to focus a significant amount of its resources in the regulatory area. The following are some of the more prominent regulatory initiatives which have been, or are expected to be completed: final regulations relating to the Form 5500 (annual report) series; civil penalties for failure to file an annual report; participant loans; adequate consideration; FERSA bonding; and participant directed individual account plans; an interim final regulation relating to ERISA's prohibited transaction exemption procedures; a proposed regulation on Summary Annual Reports; and a notice of intent to propose rulemaking relating to qualified domestic relations orders under the Retirement Equity Act.

Returning to budget matters, the budget request before you for fiscal year 1990 includes an increase of $1,460,000 for the ERISA Data Base System. These additional funds, when combined with an extension of the availability of prior year funds (up to $5,850,000) will enable us to meet the $10.4 million cost negotiated with the IRS for Form 5500 series data entry, editing and filer correspondence services. In the course of negotiations with the IRS, it has become evident that the $10.4 million, which is IRS' estimate of our share of the annual cost of operating the data base system is needed.

The request also includes a $1.2 million increase for pension and health care research. Due to the importance, diversity and complexity of pension, health and other employee benefit plan related policy issues, the demands placed on PWBA's research and statisticai capability have increased significantly. PWBA feels it is critical that policymakers both in the Executive and Legislative branches of government have the benefit of accurate, timely and objective research to make informed judgments when dealing with important private pension and welfare benefit policy issues. This seems appropriate given the increasing importance and materiality of these plans to employers, individuals, and to our economy.

The level of interest in promoting private sector solutions to retirement income and health issues is likely to continue. In this regard, the debate will continue regarding both

employer-sponsored retiree health benefits and health insurance for active workers. PWBA also believes that increasing attention is likely with regard to how employee benefit plans can be used to: contribute to the economic security of workers and retirees, promote greater workforce flexibility, improve workforce productivity, enhance our overall competitive posture, contribute to continued economic growth, and improve corporate accountability. At the same time, interest will remain high in preventing abuses relating to the trillions of dollars represented by pension and welfare benefit plans, including assuring that plan sponsors do not use pension funds in ways that are contrary to the interest of the plan, recognizing that it is a separate legal entity established for the purpose of providing retirement income and other benefits security. PWBA is committed to doing its part to meet the above challenges.

Mr. Chairman, this concludes my opening remarks. I would be pleased to respond to any questions that you or other members of the committee may have.

STATEMENT OF DR. KATHLEEN P. UTGOFF

Thank you Mr. Chairman. I am pleased to appear before you today to present the Fiscal Year 1990 budget for the Pension Benefit Guaranty Corporation (PBGC).

The 1990 Budget now before you is the one submitted by President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for a series of special initiatives.

At the same time, President Bush announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at aggregate 1989 levels of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the Budget plan as a whole, including this residual freeze category. The PBGC's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I personally helped to develop the PBGC's budget, and I hope many of them wind up in the eventual compromise budget solution.

The PBGC's FY 1990 budget submitted by President Reagan would solidify gains made in FY 1989. Last year Congress approved the PBGC's requests for additional personnel resources in 1989 and flexibility in financing unanticipated plan termination costs. The changes have given PBGC the ability to deal with the increasing number of large and complex cases.

PBGC's FY 1990 management and budget priorities are to quickly and accurately process plan terminations, improve quality of service to participants, and protect the financial integrity of the program. The agency has a number of management initiatives to improve benefit processing and quality of service.

PBGC'S FINANCIAL PICTURE AND BUDGET

Because of critical pension reform legislation passed in 1987 the PBGC is in much better financial condition than it was a few years ago. The PBGC is able to meet its commitments to the 40 million workers and retirees who depend on the insurance safety net. Still, uncertainty and challenges face the PBGC. The $2 billion LTV case is in litigation and some of the pension reforms will take several years to become fully effective.

The estimates of our deficit, benefit payments and workload are highly sensitive to the outcome of the LTV case. Currently the PBGC administers the disputed LTV plans while the case is under appeal. Because we cannot be certain of the timing of a decision or the outcome, this budget includes the impact of the LTV plans.

By including LTV, PBGC's deficit has increased from $1.5 billion to nearly $3 billion. Benefit payments would increase by $346 million in 1989 to $796 million in 1990. The number of participants would increase by 89,000 to over 372,000. Annual on-budget outlays will increase by $200 million as a result of LTV.

In FY 1990 we expect to receive about $690 million in revenues from the new variable rate premium included in the 1987 legislation. This is an increase of $400 million from the previous premium that we would have received. In the absence of any new large claims, the premium should allow us to make all anticipated benefit payments well into the future.

ADMINISTRATIVE EXPENSES

The Reagan budget requests $42.3 million in administrative expenses subject to limitation, an increase over our FY 1989 level of $1.6 million. This amount is requested to maintain our current staffing level of 546 and provide for the cost changes and contract increases we anticipate.

PBGC also estimates that $28 million in non-limitation expenses will be required. This is a decrease of $1 million from the estimate for FY 1989. These expenses are subject to apportionment by the Office of Management and Budget and do not affect outlays because they are reimbursed by our Trust Fund which is off-budget.

This concludes my statement. I would be pleased to answer any questions you may have.

STATEMENT OF ALAN C. McMILLAN

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Employment Standards Administration's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I hope many of these proposals will wind up in the eventual compromise budget solution.

The Employment Standards Administration's FY 1990 request in the Reagan budget for Salaries and Expenses is for $247,981,000 and 4,049 full-time equivalent (FTE) staff years. This represents a funding increase of $5,053,000, a 2.1 percent increase over the comparable FY 1989 level. The staffing level reflects a net decrease of 52 FTEs below the 1989 level. An increase of 30 FTEs is requested for the Wage and Hour program to provide for an enhanced homeworker enforcement program. This increase is offset by a proposal to reduce 30 FTEs from the Black Lung program due to declining beneficiary population and appeals workloads. The request also includes a proposal to reduce an additional 52 FTEs (22 from the Federal Employees' Compensation program, two from the Longshore program, an additional 18 from the Black Lung program, and 10 from ESA's Executive Direction and Support Services activity) in anticipation of contracting out certain functions under OMB Circular A-76.

Additional funding in the amount of $600,000 is included in the Reagan budget request for permanent change of station moves required to fill managerial vacancies resulting from an unusually large number of anticipated retirements and to relocate employees affected by the proposed Black Lung staff reductions. A funding increase of $480,000 is requested to better guarantee fiscal integrity of the Longshore and Harbor Workers' Special Fund by strengthening the program's oversight procedures. This expense will not be borne by the government, but will be assessed to the insurance carriers and self-insured employers who participate in the Special Fund. To ensure that Black Lung program claimants and beneficiaries continue to have ready access to the program's offices to receive quality services, $300,000 is requested for toll-free "800" telephone numbers in the Black Lung District Offices, and $43,000 for

reimbursement to the Social Security Administration for additional Black Lung claims-intake services.

The Special Benefits fund request in the Reagan budget for FY 1990 is for $1,371,000,000, of which $255,000,000 is a direct appropriation to the Department of Labor and $1,150,000,000 are reimbursements from other agencies. Since the Postal Service did not receive funding in their FY 1989 appropriation to cover the Federal Employees' Compensation costs incurred by former Post Office Department employees prior to July 1, 1971, the Special Benefits appropriation will be forced to draw down funds from its FY 1990 anticipated appropriation to ensure that payments to beneficiaries remain uninterrupted. The Reagan FY 1990 request for the direct appropriation does not include funds to cover the Postal Service costs for FY 1990, since those costs are to be included in the Postal Service budget request.

The Reagan request for FY 1990 Black Lung Disability Trust Fund is for an appropriation of $641,082,000. This amount includes $590,486,000 for benefit payments and $50,596,000 for administrative costs. A rescission of $1,445,000 is requested, in FY 1989, to reduce the amount of funding available for transfer to Departmental Management, Office of Administrative Law Judges (OALJ). This is proposed because OALJ has successfully accomplished the goal for which the funds were initially appropriated.

In FY 1989, ESA will continue to focus its efforts on providing efficient, effective, and high-quality enforcement and delivery of services to the public.

The remainder of my statement will address the 1990 salaries and expenses request now before you.

Enforcement of Wage and Hour Standards

A total of $91,729,000 and 1,550 FTEs is requested for the Wage and Hour Division to enable the program to respond to complaints on a timely basis and further promote voluntary compliance.

This request would continue enforcement of the wide range of laws that establish standards for wages and working conditions, covering virtually all private employment. Our major objective is to achieve compliance by employers through direct enforcement activities including resolution of complaints, and by promoting voluntary compliance through enforcement and technical assistance. Approximately 89,000 compliance actions would be completed under the wage and labor standards mandates, including the Fair Labor Standards Act, Government Contract labor standards, the Migrant and Seasonal Agricultural Worker Protection Act, and IRCA at the request level. We will continue to meet our responsibilities under the employment eligibility verification provisions of the INA, and to enforce the Employee Polygraph Protection Act of 1988.

Federal Contractor EEO Standards Enforcement

A total of $53,434,000 and 970 FTEs is requested for the Office of Federal Contract Compliance Programs (OFCCP) to carry out and

improve its directed enforcement programs and investigate and resolve complaints on a timely basis.

The 1990 estimate would continue our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed by Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, 38 U.S.C. 2012, and responsibilities under the employment eligibility provisions of the INA. OFCCP's major goal is to improve the quality of its enforcement actions, resulting in increased job opportunities for covered workers. Other priorities include streamlining the enforcement process and continuing staff training and development. The request estimates OFCCP will conduct 6,100 compliance reviews under the Executive Order and the handicapped and Vietnam veterans' mandates, and that complaints will continue to be processed on a current basis with over 1,000 complaint investigations and resolutions.

Federal Programs for Workers' Compensation

In the Workers' Compensation programs, the major objective is to ensure that the interests of eligible claimants, employers, and the Federal government are properly protected throughout all stages of the claims management process, including the adjudication and processing of claims for compensation and medical and other benefits provided by the Acts. The major focus remains prompt adjudication and payment of claims while maintaining a high degree of accuracy, fiscal integrity, and constituent services.

Federal Employees' Compensation Act

A total of $51,711,000 and 878 FTEs is requested to administer the Federal Employees' Compensation Act (FECA) program, assuring timely and fair payments of compensation, continuing improvements to avoid the interruption of income to injured employees, and promoting early return-to-work and rehabilitation where appropriate.

The FECA request would allow for limited experimentation with new return-to-work approaches to claims-intake and beneficiary outreach. These techniques will test methods to improve service delivery with a goal of returning more employees to work sooner. The budget also includes resources for the continued development of FECA automation capabilities in its case management and financial management systems.

Longshore and Harbor Workers' Compensation Program

A total of $8,599,000 and 142 FTEs is requested for the Longshore and Harbor Workers' Compensation Program to maintain and improve the accuracy and timeliness of claims processing activities.

A new initiative included in the budget would promote the fiscal integrity of the Longshore Special Fund by strengthening the program's oversight procedures. Emphasis will continue on improving claims processing and adjudication services, and conduct of a comprehensive technical assistance program for employers, insurance carriers, and covered employees. The Longshore program will

continue to develop automated management tools to improve vocational rehabilitation tracking and bill payment performance.

Black Lung Program

Resources requested for the Black Lung program are for $27,731,000 and 318 FTEs needed to effectively manage the program's declining caseload. The basic objectives of the Black Lung program are to maintain prompt adjudication of claims, continue efforts to achieve the highest possible level of accuracy in income maintenance and medical care benefit payments, and to further improve management of the program's debt portfolio.

Executive Direction and Support Services

A total of $14,777,000 and 191 FTEs is requested to provide vital managerial direction and administrative support to the agency's program activities. Efficient and effective overall policy development and executive direction in support of ESA's programs nationwide are essential to our ability to provide effective labor standards enforcement and client services. An aggressive Affirmative Employment Program to enhance equal employment opportunity within the agency will be continued. Other priorities include the implementation and monitoring of quality and productivity improvements, quality of worklife initiatives, and internal management control systems, as well as expanding and improving staff recruitment and training initiatives. We will also continue to implement initiatives for more effective and cost efficient management of information resources, including efforts to expand and improve automation of administrative functions.

Conclusion

Mr. Chairman, this concludes my formal statement. My staff and I will be pleased to answer any questions that either you or members of the Subcommittee may have.

STATEMENT OF JOHN A. PENDERGRASS

Thank you for this opportunity to discuss the Occupational Safety and Health Administration's fiscal year 1990 appropriation request. As the Secretary has already testified, the 1990 budget now before you is the one submitted by former President Ronald Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I helped to develop them and I hope many of them will wind up in the eventual compromise budget solution.

The budget now before you requests a total of $252,892,000 and the fulltime equivalent of 2,429 staff years--a net increase of $8,105,000 from the estimates for fiscal year 1989. This request allows for increases in "built-in" costs totaling $8,926,000, offset in part by decreases of $1,876,000 in the one-time costs associated with the establishment of Federal coverage in California, and $475,000 in grantee funding for the New Directions program. The request also includes a program increase of $2,500,000 to provide for the first year of a multi-year plan to redesign the occupational safety and health statistical program under the Bureau of Labor Statistics. This plan is based on the recommendations of a recently completed two-year study conducted by the National Academy of Sciences on employer's recordkeeping procedures and the accuracy of the data. In addition, the request includes an increase of $180,000 to produce technical educational and informational materials.

The agency continues to promote a mix of regulatory and non-regulatory activities that includes standards development, inspections, consultation, training, statistics, state programs, Federal agency programs, and voluntary employer/employee protection programs. The current request indicates that OSHA will conduct an estimated 64,600 worksite inspections in fiscal year 1990. Additionally, State safety and health inspectors are expected to conduct an estimated 86,200 worksite inspections in plan states receiving Federal matching grants. Inspections are targeted in high-hazard industries, with continuing emphasis on health hazards and enforcement of the hazard communication standard in all applicable industries. However, as noted in the submission, these estimates are premised on continued Federal enforcement of the private sector in California. Since California has expressed its intention to resume enforcement of safety and health standards in the private sector, these figures will be adjusted once the exact dimensions of the California program are determined.

Comprehensive safety and health standards, which are enforceable and provide quality protection to the American workforce, will continue to be developed and promulgated. In one of the largest regulatory actions in history, OSHA has issued new exposure limits for more than 400 industrial chemicals, reducing significantly the risk of illness for 21 million workers in general industry. The new Permissible Exposure Limits reflect the most up-to-date scientific information and analytical techniques available, while avoiding the huge expense and length of time required for traditional substance-by-substance rulemakings. In another recent standards-setting activity, OSHA established an advisory committee on shipyard issues. The committee will develop a comprehensive volume of safety and health standards to organize the numerous maritime issues currently covered both by OSHA's general industry standards and industry-specific requirements.

State personnel providing Federally financed onsite consultations will make approximately 26,000 worksite visits in 46

states and jurisdictions, including 1,500 comprehensive training and assistance visits. A full range of technical services is provided to support OSHA's program operations, including laboratory services and regulatory analysis. The agency approves worksites with exemplary safety and health management programs for participation in Voluntary Protection Programs. These worksites generally have lost workday case rates from one-fifth to one-third the rates of average worksites. New guidelines for safety and health management practices, based on successful experience in several industries, were issued in January.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

STATEMENT OF DAVID C. O'NEAL

I am pleased to appear before you to discuss the fiscal year 1990 appropriation request for the Mine Safety and Health Administration. As the Secretary has already testified, the 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The MSHA budget is included in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I helped to develop them and I hope many of them will wind up in the eventual compromise budget solution.

This budget now before you requests $169,039,000 and 2,775 staff years to conduct mine safety and health activities. This is an increase of $6,146,000 and a decrease of 15 staff years from 1989. The increase consists of funding requests for standards development, continued developmental work for the replacement of MSHA's aging ADP hardware and support systems, and mandatory cost increases.

Before we discuss the budget request for fiscal year 1990, I would like to outline MSHA's role in mine safety and health and to discuss how best to execute those duties.

I fully support the philosophy of cooperative efforts by management, labor and government in improving mine safety and health that we have been working to foster in the past few years. In my view, the Mine Safety and Health Administration has

responsibilities not only for monitoring mining activities to ensure compliance with the law, but also for developing and assisting in other activities which will result in improved safety and health. Therefore, I hope the Agency will be able to continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I support the recent efforts to improve the efficiency of Government and to reduce unnecessary burdens on industry as well as to improve health and safety. Accordingly, we will continue our review of MSHA's policies and regulations.

ENFORCEMENT

A total of $119.7 million and 2,125 staff years is requested in the Reagan budget for enforcement activities at both coal and metal and nonmetal mines. This is an increase of $2.8 million which will provide for the conduct of mine safety and health inspection events and more efficient and timely completion of health standards. The request includes a reduction of 5 staff years for efficiencies in air sample analysis. The resources requested for 1990 will provide an estimated 30,750 regular health and safety inspections. In addition to these inspections, the budget request includes resources for 68,260 other inspections, investigations and education and training activities.

ASSESSMENTS

A total of $2.2 million and 55 staff years is requested for the Assessments program for 1990. This is an increase of $56 thousand from 1989.

In both 1989 and 1990, the Assessment activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

EDUCATIONAL POLICY AND DEVELOPMENT

A total of $12.1 million and 91 staff years is requested for Educational Policy and Development in fiscal year 1990. This is an increase of $116 thousand and a reduction of 8 staff years due to efficiencies in facilities maintenance and the use of contract support for audio-visual activities. The Mine Academy will provide 40,000 student days of instruction in mine safety and health subjects in both 1989 and 1990. A total of $5.0 million is included for the State Grants program in 1990 for 47 participating states.

TECHNICAL SUPPORT

A total of $21.0 million and 330 staff years is requested for Technical Support activities in 1990. This is an increase of $439 thousand and a reduction of 1 staff year for contract support for audio visual activities.

The Technical Support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems to further the health and safety of miners.

PROGRAM ADMINISTRATION

A total of $14.0 million and 174 staff years is requested for Program Administration, an increase of $2.7 million and a reduction of 1 staff year for contract support for audio visual activities. Included in this funding level is a program increase of $2.5 million for ADP equipment, computer time and technical support services for the conduct of systems development work necessary to replace MSHA's aged ADP equipment and systems. The Program Administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

CONCLUSION

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to respond to any questions you have.

STATEMENT OF DR. JANET L. NORWOOD

I appreciate this opportunity to appear before you today to present and discuss the budget and program requests for the Bureau of Labor Statistics for Fiscal Year 1990.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Department of Labor's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, the Administration is treating the Reagan budget proposals as if they were Bush proposals. The Bureau has enjoyed continuity in this process as we have developed these proposals from the outset and remain confident that they will be included in the eventual compromise budget solution.

President Reagan's budget request of $242.3 million represents an $8.4 million increase over the FY 1989 level. The majority of this increase - some $5.7 million - represents the rising costs of doing business - that is, certain cost increases over which the Bureau has no control. These items include such things as increased state costs for salaries, increased costs of

GSA space rent and increased costs of the Bureau of the Census' collection of data for BLS. Also presented in our request are three program increases - which I will expand on in a few moments - totalling $3.8 million and planned decreases totalling $1.1 million.

As we all are aware, these are times of tightly constrained budgets and, hence, all increases deserve very careful deliberation. There are, however, some very critical areas where additional resources are necessary to continue to improve our statistical programs.

First, we are proposing to begin a multi-year redesign of the Current Population Survey as a joint undertaking with the Bureau of the Census. This key survey has not truely undergone a total redesign since its implementation in the 1940's. The appropriation requests of both BLS and the Census Bureau contain proposals to ensure that the CPS, which is the nations' most closely watched and relied upon measure of labor force activity, remains accurate and relevant to our changing economy. All aspects of the survey including survey questionnaire content, data collection methods and technology, survey design and processing, maintenance and improvement of data quality including the possible enhancement of the program to yield improved State and longitudinal data - will be included in the research to start the redesign. The Bureau's first year of effort in this area requires $2.6 million and 6 FTE.

Second, BLS requests an increase of $1.2 million in funding to operate on an ongoing basis in all States the Permanent Mass Layoffs and Plant Closings program. BLS was initially funded to begin work on this program in FY 1984 and has proceeded to implement the program in some States each year. When the program is operational in all States for the first time in 1990 the additional resources will be required.

Finally, we are proposing to begin the redesign of the Occupational Safety and Health Statistics program. This redesign responds to recommendations made by the National Academy of Sciences and OSHA to better meet the needs for carrying out an effective program for the prevention of workplace injuries and illnesses. As you may know, this program currently operates under a reimbursable agreement between the Bureau and the Occupational Safety and Health Administration. Hence, the dollar resources for the proposed redesign - $2.5 million - are requested in the OSHA budget and the personnel resources - 15 FTE are requested in the Bureau's budget.

Partially offsetting these increases are $1.1 million in planned reductions in the SIC revision program.

Mr. Chairman, in summary this request allows the Bureau to continue to provide the quality of data that we have in the past and in some areas to enhance the quality while carefully managing the costs of doing so.

Mr. Chairman, I am naturally prepared to answer any questions you may have.

Thank you.

STATEMENT OF THOMAS C. KOMAREK

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you to outline my recommendations for the Departmental Management, Salaries and Expenses appropriation.

Departmental Management - Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs,
the Solicitor's Office,
the President's Committee on Employment of People with Disabilities,
the Women's Bureau, and
the Directorate of Civil Rights.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, President Bush announced his budget plan, which included specific recommendations for several special initiatives, on February 9, 1989.

None of the special initiatives in President Bush's budget plan affect the Departmental Management budget request. However, the plan also includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs. This portion of the President's plan is applicable to our request. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. Pending the outcome of these negotiations, we are treating the Reagan budget proposals as if they were Bush proposals. Hopefully, the proposals in our pending request will be included in the eventual compromise budget solution arrived at between the Administration and the Congress.

The budget request for Fiscal Year 1990 for the Departmental Management Salaries and Expenses appropriation is $135.0 million and 1,898 FTE, of which $114.0 million is from general funds, $285 thousand is from the Unemployment Insurance Trust Fund and $20.7 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

The Fiscal Year 1990 budget request reflects non-program increases of $3.1 million and program increases totaling $1.4 million. These increases are offset by substantial program decreases of $13.5 million for a net decrease of $9.0 million. The program decreases are distributed as follows: $247 thousand from the Office of the Assistant Secretary for Policy reflecting a one-time expenditure in FY 1989 for the design of a National Study on Aging, Fitness, and Public Employment; $2 million for one-time

funding in FY 1989 for employee alcohol and drug assistance programs; 7 FTE and $729 thousand from Legal Services for productivity improvements; 8 FTE and $337 thousand from the Office of the Assistant Secretary for Administration and Management (OASAM) for ADP services now contracted out as well as 14 FTE and $673 thousand from OASAM for Departmental library services now contracted out; $494 thousand from the Women's Bureau for one-time funding for demonstration projects such as the Displaced Homemakers Network; and 97 FTE and $5.3 million from Legal Services and Adjudication in support of the Black Lung program. The decreases in Legal Services and Adjudication from the Black Lung Program include 48 FTE and $2.5 million related to the temporary funding increase provided in the FY 1989 Appropriation Act and 49 FTE and $2.8 million resulting from completion of the Secretary's goal to eliminate the Black Lung case backlog in the Administrative Law Judge area. A last program decrease of $3.7 million is related to budgetary constraints.

The Departmental Management account is requesting four program increases totaling 8 FTE and $1.4 million. They are distributed as follows: 3 FTE and $215 thousand for the Office of Administrative Appeals to process an increased number of appeals in compliance with regulatory deadlines; $150 thousand for the Bureau of International Labor Affairs for a one-time grant to the International Labor Organization to establish a computerized index of workers rights cases; 2 FTE and $480 thousand for Adjudicatory activities to process an increase in Longshore cases; and 3 FTE and $461 thousand for the Directorate of Civil Rights for increased processing of complaints under Title VI of the Civil Rights Act. An increase of $48 thousand is also included for the President's Committee on Employment of People with Disabilities related to redistribution of Working Capital Fund charges.

The Departmental Management account has also submitted a supplemental and offsetting rescission request to transfer FY 1989 resources from the Black Lung Disability Trust Fund to the General Fund to permit the Office of Administrative Law Judges to handle a significant increase in Longshore cases. This shift of resources from the Black Lung program area is advisable since, as planned, the backlog of Black Lung cases in the Administrative Law Judge area will be eliminated and cases will be current, even with the shift, in FY 1989.

I appreciate the opportunity to appear before the subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

STATEMENT OF HAROLD RUSSELL

Mr. Chairman, I am pleased to have the opportunity today to testify on behalf of the Fiscal Year 1990 budget request of the President's Committee on Employment of People with Disabilities. This is the last time I will have the honor of appearing before this distinguished subcommittee in my role as Chairman of the President's Committee. As you are probably aware, I have advised President Bush that I am ready to retire. I will remain in my

position until the appointment of a new Chair. I thank you Mr. Chairman and the honorable Members of this subcommittee for the understanding and support you have given me and Americans with disabilities during the 25 years I have served as Chairman.

President Bush, in his State of the Union address declared that "disabled Americans must become full partners in America's opportunity society." In the context of discrimination and civil rights, the President said, "I will work to knock down the barriers left by past discrimination and to build a more tolerant society that will stop such barriers from ever being built again."

Recognizing what is probably my last opportunity to represent the President's Committee in this forum, I want to appeal to the Members here today that these words guide you in your work this session in meeting the needs of people with disabilities for social and economic justice.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, President Bush announced his budget plan, which included specific recommendations for several special initiatives on February 9, 1989.

None of the special initiatives in President Bush's budget plan affect the budget request of the President's Committee. However, the plan also includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs. This portion of the President's plan is applicable to our request. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. Pending the outcome of these negotiations, we are treating the Reagan budget proposals as if they were Bush proposals. Hopefully, the proposals in our pending request will be included in the eventual compromise budget solution arrived at betwedn the Administration and the Congress.

Fiscal Year 1990 represents a further maturation of the President's Committee in meeting its expressed goal of serving as the nation's leader in study, development and implementation of employment policies and programs to meet the needs of persons with disabilities and the needs of employers. The small staff (many of whom are individuals with disabilities) and budget of the President's Committee are enhanced exponentially by the public/private sector participation of over 600 volunteer individuals and organizations representing virtually every discipline and group important to the disability community.

Cooperation with the National Council on Disability, the Architectural and Transportation Barriers Compliance Board, the Administration on Developmental Disabilities, the President's Committee on Mental Retardation, and other federal agencies and departments serves to bring a wealth of expertise to the direction and mission of the President's Committee. Our historic partnership with State Governor's Committees in every State brings a commitment to practicality in the products of the President's Committee's activities and projects identified in this budget request.

Tapping the resources of our volunteers and allies allows the President's Committee's budget proposal for FY 1990 to call for no increase in FTE and no program increases over FY 1989 other than a minor adjustment related to Working Capital Fund charges. The FY 1990 request is for $2.5 million and 37 FTE.

The following sample of activities and projects prioritized in the President's Committee Work Plan for FY 1990 reflect efforts in meeting our leadership responsibilities:

1. Promote the development and implementation of a National Disability Employment Policy and Action Agenda which serves as a national policy statement and identifies changes needed in government and in the private sector necessary for the expansion of meaningful employment opportunities for people with disabilities. The involvement of leaders from business, organized labor, government, education, rehabilitation, and the disability community is essential to the success of this effort.

2. Continue the policy study of work preparation and employment issues relating to minority and unserved and/or underserved disability groups. Additional regional conferences, in conjunction with Howard University, will be conducted on the employment needs of minorities with disabilities.

3. Conduct one-day conferences aimed at encouraging employers to adopt practices and procedures for dealing with applicants and employees who are HIV positive and to develop appropriate educational programs within the workplace. The conferences are in cooperation with State Governor's Committees and the U.S. Equal Employment Opportunity Commission.

4. In FY 1989 the Committee will undertake the development of a training package for new Chairs and Executive Directors of the State Governors' Committees. During FY 1990 video tapes will be produced to augment the package.

5. Develop a marketing strategy for the dissemination of the "how to" manual and curriculum for our two demonstration High School/High Tech programs. High School/High Tech is designed to provide high school students with physical disabilities an enrichment program which affords them the opportunity to learn about careers in computer and other high technology related occupations. The goal of this project is to encourage local replications of the program by state and local committees and organizations.

6. Labor unions sponsor apprenticeship training programs in many skilled occupations as means of preparing new workers. During FY 1990 our Labor Committee will work closely with our Employment Preparation Committee to compile a list of these training opportunities, along with their entrance requirements, to be included in a directory of work preparation programs. Our Labor Committee will encourage unions to contract educators and appropriate vocational educators to recruit persons with disabilities for these opportunities.

7. Review, for the sixth year, the participation rates of both youth and adults with disabilities in programs authorized under

Titles II-A, II-B and III of the "Job Training Partnership Act". The review is in conjunction with the U.S. Department of Labor and the National Association of Private Industry Councils.

8. Compile and publish a "Factbook" illustrating enrollment and/or participation rates of persons with disabilities in variou education and training systems, and identifying data needs for assessment of employment preparation opportunities for persons with disabilities.

9. Conduct additional "Pathways to Employment" meetings designed to assist communities in the development of employment related programming for youth with disabilities. Also, develop a model c "Pathways to Employment" that will focus on adults with disabilities.

10. Continue activities including the President's Committee Annual Meeting in Washington, D.C.; technical assistance to employers, rehabilitation professionals, and persons with disabilities through the "Job Accommodation Network" (JAN); mass media promotional efforts; and national contest and award program promoting the employment of persons with disabilities.

Mr. Chairman, these ten projects which I have outlined do not, by any means, constitute all of the projects and activities of the President's Committee during Fiscal Year 1990. They represent only a portion of the FY 1990 Work Plan which will be made available to you.

Again, Mr. Chairman, thank you for your time and attention.

STATEMENT OF DONALD E. SHASTEEN

Thank you for this opportunity to discuss with you the Fiscal Year 1990 Department of Labor budget proposal as it pertains to veterans' employment and training programs.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives. Among these special initiatives was increased financing for programs assisting the homeless. Included in that initiative is $2.2 million for assisting homeless veterans; an increase of $600 thousand over the Reagan budget level.

At the same time, the President announced his plan for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Veterans Employment and Training programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I helped to develop them, and I hope many of them will wind up in the eventual compromise budget solution.

VETS' Reagan budget request for FY 1990 is $162.6 million. This is a $5.1 million increase over FY 1989, which, with one exception, compensates for the increased cost of doing business. Of the $162.6 million, $144.4 million is for grants-to-States, with $75.2 million for the Disabled Veterans' Outreach Program (DVOP) and $69.2 million for the Local Veterans' Employment Representative (LVER) program. Our request of $15.6 million will provide funding for 288 Federal positions, an increase of 12 positions over FY 1989 to staff three additional regional offices called for in Public Law 100-323. The remaining $2.6 million of our request will fund the National Veterans' Training Institute (NVTI).

Not reflected in this request, because they are submitted as part of the Training and Employment Services appropriation in the Employment and Training Administration (ETA), are $9.5 million under Title IV-C of the Job Training Partnership Act (JTPA) program and $2.2 million for the Homeless Veterans' under the Stewart B. McKinney Act as noted above.

The request now before you will fund 1,881 DVOP staff in accordance with the formula set forth in Title 38, U.S.C., Section 2003A [one DVOP position is allocated for every 5,300 disabled and Vietnam-era veterans residing in each State]. These specialists provide employment and employability development services to veterans with particular emphasis focused on meeting the needs of seriously disabled and Vietnam-era veterans.

Staffing of LVER positions will be maintained at the 1,600 level consistent with the mandate of P.L. 100-323. The LVERs will emphasize the provision of priority services to veterans through their functional supervision of local employment service offices, monitoring of employer job listings, close coordination with community organizations and other government agencies, and supervision of referral and placement activities.

NVTI will continue to provide training to DVOP/LVER staff, other State employees and managers, and Federal staff involved in delivery of services to veterans. As authorized by P.L. 100-323, NVTI will also provide vocational guidance training for DVOP/LVER staff and training for Federal staff in grants management, local office evaluations, and processing of veterans' reemployment rights cases.

At least 80 percent of the $9.6 million JTPA Title IV-C request will be made available to State JTPA entities to provide employment and training services to eligible veterans, and will fund grants awarded under a significantly restructured grant process. The remaining funds will be allocated as grants to special projects designed to provide unique services to eligible veterans in research and demonstration modes.

Through the public employment service system, functions of the LVERs and DVOPs will be linked to all Title IV-C programs. Those staff will be responsible for referral, placement, and, where appropriate, case management and followup services for JTPA Title IV-C participants. They will also screen veterans before enrollment in Title IV-C as part of the referral process to determine that no other JTPA activities are better suited to their needs and that the veteran applicants are those most in need.

We will continue to require grantees to augment the Title IV-C funds with a 100 percent match from other resources, preferably real dollar matches. Program designs which promote classroom and on-the-job training will be encouraged so that veterans who complete training can be better assured of obtaining higher average placement wages. We anticipate that about 6,000 veterans will be placed in jobs, a somewhat lower number than the previous year because of the focus on more difficult to place veterans, and because we are requiring an average wage at placement that is higher than that in JTPA Title II programs.

I would like to share with you some of the Department's accomplishments during the past fiscal years. The Vietnam-era veterans unemployment rate has shown continued improvement from 4.7 percent in December 1987 to 4.0 percent in December 1988. Almost 456,000 veterans were placed in jobs through the State Job Service agencies in Program Year 1987, which ended June 30, 1988. Of those veterans placed, more than 201,000 were Vietnam-era veterans. An estimated 14,500 veterans were enrolled in training under Title IV-C of the Job Training Partnership Act (JTPA) and about 6,800 were placed in jobs.

FY 1988 also saw substantial progress being made toward our goal in the Veterans' Reemployment Rights (VRR) program of adjudicating "overage" cases, which we defined as any case, held by VETS' for processing, that is still active more than one year after it was opened. By incorporating specific VRR performance standards into our managers' merit pay considerations and by initiating a thorough review of the quality of our case processing, the overage case inventory was decreased dramatically during FY 1988: from a beginning inventory on October 1, 1987, of 376 cases to an ending inventory of 19 cases by September 30, 1988. This year we have redefined overage cases to mean any case over 180 days old, and our goal is to reduce the number of overage cases to zero by September 30, 1989. To improve the service provided to veterans and to make this standard achievable, the VRR operations manual has been revised and new "early conciliation/mediation conference" procedures are being piloted. Beginning in June, all of those efforts will culminate with VRR training for all VETS staff at NVTI. As we move into FY 1990, we anticipate a carry-over inventory of only the most current cases.

Under authorization of the Stewart B. McKinney Homeless Assistance Act, P.L. 100-77, we received $1.915 million and initiated Homeless Veterans' Reintegration Projects (HVRPs) in 17 cities. The purpose of these demonstration projects is to develop programs, techniques, and approaches which will be

effective in assisting homeless veterans make the transition from homelessness to long term stable employment. As demonstration projects, each of the HVRP programs has its unique aspects and innovative features and is tailored to the needs of the individual project site. However, all programs recruit, train, and hire veterans who have experienced homelessness to make contact with other homeless veterans in order to offer them assistance in obtaining employment and other needed support services. This outreach activity takes place in shelters, soup kitchens, on the streets, and in other places where the homeless congregate. All programs also establish linkages with other providers of service to the homeless, particularly those which receive other McKinney Act funds, for emergency food, shelter, transitional housing and health services. As required by the McKinney Act, these projects, which will operate until September 30, 1989, are being evaluated by an independent contractor. The evaluation report will be submitted to Congress in April 1990.

VETS is continuing to seek improvements in providing quality services to veterans through emphasis on more effective management of resources. Included in current efforts is expansion of the course content available through NVTI. We plan to increase the number of professional skills development classes, providing training in VRR and veterans' benefits. We are also seeking to strengthen vocational guidance and labor market information courses with emphasis on coordination with the Army Transition Program.

We are working on expanding the Army Transition Management (ATM) programs in FY 1989 to five new pilot sites (Ft. Eustis, Virginia; Ft. Campbell, Kentucky; Ft. Carson, Colorado; Ft. Sill, Oklahoma; and Ft. Lewis, Washington). Such expansion is dependent upon the funding and awarding of the contract by the Department of the Army. In conjunction with ATM, the Civilian Occupation Labor Market Information System (COLMIS) has been developed and will be pilot tested in Fort Bragg, North Carolina, and then implemented at the five ATM sites this summer. As a further adjunct to the ATM program, a Disabled Veteran Transition Assistant Program is currently being developed by the Departments of Defense and Labor and the Veterans Administration, with possible implementation by this summer.

Of critical importance in our FY 1989 activities is the implementation of several new public laws which impact on our responsibilities and capabilities to ensure provision of employment and training services to veterans. Most far-reaching is Public Law 100-323, the Veterans' Employment, Training and Counseling Amendments of 1988, signed into law May 20, 1988. We have undertaken an extensive and comprehensive implementation plan to carry out the complex and diverse requirements of the new law by the end of 1989. We are placing particular emphasis on provisions for revising reporting processes, developing revised regulations and information collection, promotion and monitoring of veterans' participation in Federal programs, strengthening the roles of the DVOP and LVER programs, and establishing NVTI as a permanent institution.

Under the Veterans' Benefits Improvement Act of 1988 (P.L. 100-687), the Veterans' Administration and Department of Labor are required to report for each fiscal year projected costs for providing benefits and services to combat theater veterans. This provision of law cannot be implemented without the guidance of Congress regarding a specific and discrete definition of combat theater veterans. Even with a common definition, to collect the required data would entail extensive revisions in the application, processing, and reporting system used by various public and private entities which carry out our veterans' programs, particularly State Employment Security Agencies. Since costs involved in this activity would vary from State to State, we have no easy way to estimate the overall costs. However, we believe these revision might prove prohibitively expensive.

The Veterans' Benefits and Program Improvement Act of 1988 (P.L. 100-689) requires that maximum employment and training services to be provided to veterans eligible for assistance under the Economic Dislocation and Workers Adjustment Assistance Act (EDWAA) program. Implementation will be accomplished through Memoranda of Understanding between VETS and VA to establish the required single point of contact for dissemination of appropriate information and services to veterans and also between VETS and ETA to outline each agency's roles and responsibilities involving veteran participation in EDWAA.

In conclusion, thank you again for the opportunity to discuss the FY 1990 veterans' program budget. I will be pleased to answer your questions.

BIOGRAPHY OF JOHN R. STEPP

John R. Stepp serves as Deputy Under Secretary for Labor-Management Relations. In this capacity he directs a Bureau which provides technical assistance to employers and unions as they develop and implement cooperative labor-management programs. Through research and publications programs, the Bureau provides practical and timely information to assist in addressing current labor and industrial relations issues.

In addition, the Bureau assists the Secretary of Labor in assessing the need for and developing policies in labor-management and industrial relations and in implementing certain employee protections programs mandated by Federal laws.

Mr. Stepp joined the Department of Labor in 1980. Prior to his Labor Department service, he was national representative and director of preventive mediation activities for the Federal Mediation and Conciliation Service. Before joining FMCS, Mr. Stepp was a member of the faculty at the Georgia Institute of Technology.

Mr. Stepp received his B.A. in Industrial Management from Georgia Institute of Technology, his M.B.A. from Emory University, and his Ph.D. in Business Administration from the University of Georgia.

BIOGRAPHY OF WILLIAM C. WHITE

William White was designated Acting Assistant Secretary for Labor-Management Standards on July 6, 1988.

In this position, Mr. White is responsible for enforcing the Labor-Management Reporting and Disclosure Act of 1959, as Amended, which is legislation enacted to provide for the reporting and disclosure of certain financial transactions and administrative practices of labor organizations and employers, to prevent abuses in the administration of trusteeships by labor organizations, to provide standards with respect to the election of officers of labor organizations and for other purposes.

Before coming to the Department, Mr. White was state prosecutor and county judge in Palm Beach County, FL; an Assistant U.S. Attorney, Deputy Chief, Economic Litigation Section (Civil Division), Organized Crime Strike Force Attorney, and U.S. Trustee in the U.S. Department of Justice.

Mr. White is an attorney admitted to practice in the State of Florida, the Commonwealth of Virginia and the District of Columbia. He has been associated with the law firm of Walton, Lanataff, Schroeder and Carson (FL), counsel to Kilpatrick & Cody, (DC) and a member of Hazel, Thomas, Fiske, Beckhorn & Hanes (VA).

A graduate of Johns Hopkins University, Mr. White received his J.D. at the University of Florida College of Law. He served three years on active duty in the United States Army. Mr. White is married and the father of two daughters.

BIOGRAPHY OF DAVID M. WALKER

David M. Walker has been Assistant Secretary of Labor for Pension and Welfare Benefits since October 22, 1987.

Before being confirmed as Assistant Secretary, Mr. Walker served as Deputy Assistant Secretary of Labor for Pension and Welfare Benefits from April until October 1987. In addition, from August 1985 to May 1987, he served as Secretary Brock's liaison to the Pension Benefits Guaranty Corporation (PBGC).

Prior to joining PWBA, Mr. Walker served as Acting Executive Director of the PBGC from March 1985 to August 1985, and Deputy Executive Director from October 1983 to March 1985.

From 1979 to 1983, Mr. Walker worked for Source Services Corporation, a recruiting and human resources consulting firm, with full responsibility for the firm's 10 offices in the eastern United States.

Previously, he was with the international CPA firms of Coopers and Lybrand and Price Waterhouse & Company in the audit and personnel management areas. His final position was a Director of Personnel for Coopers and Lybrand, responsible for Houston and the southwestern United States.

Mr. Walker, a certified public accountant (CPA) in Florida and Texas, is a member of the American Institute of Certified Public Accountants; National Association of Accountants; various state CPA societies; and has been actively involved in numerous civic and political organizations.

He graduated from Jacksonville University in 1973 with a degree in accounting.

BIOGRAPHY OF DONALD E. SHASTEEN

Donald E. Shasteen has served as Assistant Secretary for Veterans' Employment and Training since June 19, 1985.

As Assistant Secretary, Mr. Shasteen is the principal advisor to the Secretary of Labor with respect to the formulation and implementation of departmental policies and procedures to carry out the purposes of Chapter 41, Chapter 42 and Chapter 43 of Title 38, United States Code; and all other Department of Labor employment and training programs to the extent they affect veterans.

Prior to his appointment as Assistant Secretary, Mr. Shasteen served as Deputy Assistant Under Secretary for Legislation and Intergovernmental Relations in the Labor Department from February 1981.

Mr. Shasteen is a Capitol Hill veteran and former news reporter and executive. He was the Republican nominee for the U.S. Senate from Nebraska in 1978. Following President Reagan's election in 1980, Mr. Shasteen served as co-director of the Senate transition assistance team for the Senate Republican Conference, providing orientation for new Republican senators.

A graduate of the University of Colorado at Boulder, Mr. Shasteen was a statehouse reporter with the Omaha World Herald and a reporter for the Casper, Wyoming, Tribune Herald. He served in a U.S. Army psychological warfare unit in 1951 and 1952.

Mr. Shasteen was executive assistant to Senator Carl T. Curtis of Nebraska from 1966 to 1973, and administrative assistant to Senator Gordon J. Humphrey of New Hampshire in 1979 to 1980.

Mr. Shasteen is a past President of the U.S. Senate Association of Administrative Assistants.

In addition to his work on the Senate transition team in 1980, he was also managing editor of the news division of the Broadcast Consultant Corporation of Leesburg, Virginia.

A native of Englewood, Colorado, he is married and has two sons and two daughters. He lives with his wife Shirley Mae, in Potomac, Maryland.

STATEMENT OF SENATOR SPECTER

Senator HARKIN. Madam Secretary, thank you very much for being here.

At this time, I would recognize my distinguished friend and colleague from Pennsylvania, Senator Specter, for your opening statement.

Senator SPECTER. Well, thank you very much, Mr. Chairman.

Secretary Dole, I am delighted to see you here today. I do not think President Bush could have made a better selection. I said that to you when we had an opportunity for a trip to Indonesia, Senator Dole having invited Joan and me to accompany you. And when I saw the announcement of your appointment on Christmas Eve, was it, I thought it was a spectacular choice because I know the outstanding work you did as Secretary of Transportation and FCC and the special assistant to the President.

And it is a very difficult job. There are very tough problems. You have outlined many of the areas of concern. There are budgetary constraints, and it is going to be tough to make the resources fit the demands. And as the ranking Republican on this committee, I intend to work with Senator Harkin and with you to see how the problems shape up and how we can address them. And I have a number of questions which I would like to discuss with you—a number of issues to discuss with you. I don't have questions for you. I have issues to discuss.

Secretary DOLE. Very well. Thank you.

ON-THE-JOB TRAINING

Senator HARKIN. Thank you.

Madam Secretary, let me just start off by picking up on my opening statement about what I consider to be excessive subsidies on on-the-job training contracts. GAO surveyed 63, or just about 10 percent, of the service delivery areas around the country. They found that 55 percent of the OJT programs surveyed provided excessive amounts of training time. And one-half of those contractors that paid for excessive amounts of training time provided more than double the amount recommended in your Dictionary of Occupational Titles. Again, projecting this sample to all of the OJT programs, GAO estimated that we are spending something like $26 million more than would be required if we simply subsidized the training of these workers for the number of days recommended in your dictionary.

Again, I don't know that I need to read all those again, but some of the ones that GAO found: a day care worker under your dictionary is supposed to have 30 to 90 days training time. GAO found an average of 50 extra days of training time provided for day care workers.

Dishwashers—I mentioned that earlier—up to 30 days are in your file. I have a list of this. They are supposed to have 30 days training time. GAO found out that they were providing at least 30 extra days over and above that.

Car washer is supposed to have 30 days of training time. On the average, they're getting 34 additional days of training for a total of 64 days of subsidized training.

Again, this is something that I think we have to pay attention to. I just wondered if you were aware of the situation. Do you think it would be advisable for the Department of Labor to issue some standards or guidelines to the on-the-job training participants to more specifically indicate how much training time the Federal Government would be willing to pay for?

Secretary DOLE. Mr. Chairman, I am very much aware of the GAO's testimony on this. The Department has been examining procurement practices in the JTPA system with the objective of improving the quality of the services that are offered under this program and the integrity of the program. Part of the examination has included the OJT administration.

We plan to respond to these procurement problems in two ways. The first is to provide more specific guidance to the system on how OJT is to be administered, and the second is to offer technical assistance in this respect.

I also want to mention that on Tuesday the report of the JTPA Advisory Committee will be presented to me, and I know that they are going to have a number of suggestions. Bob Jones and I have already spent a great deal of time together focusing on this area.

I couldn't agree with you more in terms of trying to make our programs as efficient and as effective as we possibly can if we are going to impact that 35 percent minority youth unemployment figure. Indeed, I feel very strongly about that. That's a high priority. I really can't think of anything that deserves our attention more in terms of trying to utilize our programs as effectively as we can, because we don't have unlimited funds, and we don't want to waste a cent of this money.

We also want to coordinate across Government which I think is very important, but it is one of the hardest things to do, as we all know. I have a meeting set up with the Secretary of Education and the Secretary of HHS for the 21st of this month, and this is going to be the first of many. Our senior staffs, I hope, will meet regularly. Even if it takes every week or every 2 weeks, we are going to do everything we know how to do to make sure that we are as efficient and as effective as we can be in these programs. And that includes what you are speaking of, and we will certainly continue to address ourselves to it.

RESPONSES TO OJT PROBLEMS

Senator HARKIN. The first step in addressing this on-the-job training would be what? What can we look forward to in the next couple of months out of your Department to start addressing this problem?

Secretary DOLE. We are going to provide more specific guidance to the system, and we're also going to provide the opportunity for technical assistance. We're going to offer that.

Senator HARKIN. There may be some more oversight of these programs? It occurs to me that from our testimony from GAO, there may be a lack of adequate oversight over some of these contractors.

Secretary DOLE. Well, I think the first thing I need to do is to review the JTPA report, which I will receive in the next couple of days. I would subsequently like to come back to you with very spe-

cific recommendations, which I would hope to do within the next few weeks. For one thing, we're going to try to target more effectively those who are most disadvantaged and those who are least skilled. I think that we can come up with some recommendations and work together to make sure that these problems are addressed. This is not something we haven't been looking at already, but I think that the recommendations I will receive Tuesday will be useful as well.

Senator HARKIN. I have some other questions I would like to propound to you, but at this time I will recognize the ranking member, Senator Specter.

SKILLED LABOR SHORTAGE

Senator SPECTER. Thank you, Mr. Chairman.

Secretary Dole, the first subject that I would like to discuss with you involves the opportunities for training and putting people to work in labor shortage areas where there is a labor shortage in a region, but notwithstanding that, there are thousands of unemployed people who do not have the requisite skills to fit the situation.

I was surprised about 18 months ago to read in the Philadelphia paper that Philadelphia was a labor shortage area. And at the same time, I know that unemployment, especially among younger blacks and Hispanics in Philadelphia, is in the 60 percent range. And I then contacted your Department, and have worked cooperatively with Mr. Jones, who is at your left, to try to get the cooperation of a number of agencies to tackle this issue. And your Department was very cooperative.

And I think it might be appropriate to put into the record at this point a letter from Mr. Jones to me dated August 31, 1988, which outlines the response of the Department of Labor and their efforts to make some $500,000 available on a pilot basis.

[The information follows:]

LETTER FROM ROBERTS T. JONES

AUGUST 31, 1988.

Hon. ARLEN SPECTER,
U.S. Senate, Washington, DC.

DEAR SENATOR SPECTER: Thank you for your letter of August 15 regarding an innovative apprenticeship program in the Philadelphia area.

I understand that staff from the Bureau of Apprenticeship and Training have had discussions with your staff about the possibility of conducting two demonstration projects in Pennsylvania that would link apprenticeship with Job Training Partnership Act (JTPA) programs. One of the projects would target an at-risk youth population in the Philadelphia area and use the apprenticeship concept to fill critical skill shortage jobs in the health care field. The other project would involve dislocated workers in the western part of the State and attempt to link them to new apprenticeship jobs, with credit given for acquired, transferable skills.

I have approved Employment and Training Administration participation in these projects with the Pennsylvania Department of Labor and Industry. this approval includes funding of project support and evaluation activities. Bureau staff have met with Pennsylvania agency officials to determine their interest in these projects and availability of Pennsylvania JTPA resources. I understand there was agreement to proceed further.

We will keep you informed and involved as these projects progress. Also, please feel free to have your staff contact the Bureau's Director, James Van Erden, on 536-0540 at any time.

Sincerely,

ROBERTS T. JONES,
Assistant Secretary of Labor-Designate.

SOLUTIONS TO SKILLED LABOR SHORTAGE

Senator SPECTER. Now, of course, that's a relatively small sum of money when we are looking at the kinds of issues which are involved here.

And we have been working with the private industry council in Philadelphia where they have job training partnership funds, and it has been a complicated matter to work through the State agencies. Your Department has been very helpful. The State has been helpful. The private industry council has been helpful. But we really haven't quite gotten the camera into focus on what ought to be done here.

There are many training programs which are available. Dr. Leon Sullivan, the founder of Opportunities Industrialization Corps, came to the Congress 5 years ago with a program for literacy training because he had so many people who could not read and write and could not take job training. And a new program was structured where the funding has moved right along and is now still at a modest sum of $9 million.

What I would ask you to do today is in your busy schedule to review this program with Assistant Secretary Jones who, as I say, has been very cooperative. And perhaps one day you and I might sit down in light of what the problem is in an area like Philadelphia which has the anomaly of being a labor shortage area and having so many people who were unemployed because I believe that we have at our disposal resources to come to grips with that issue, but a tremendous amount needs to be done to cut through a lot of redtape to get these people trained.

Secretary DOLE. This is music to my ears, believe me. I look forward to working with you on it because it is a high priority for me. You know, when you come into a new department—a new area—you want to feel a sense of mission about what you are doing. You want to make a difference, and you have areas you can undertake that you feel passionately about where you can make that difference for people. I can't tell you how strongly I feel about what you just said.

I think if we are going to try to make a difference, where drugs, alcoholism, teenage pregnancy, school dropouts, gang warfare, and all the rest of it that this Nation is confronting right now are concerned, I can't imagine anything more important than a young person having a job and a good job. That means that we have to get the skills, the remedial education, and the training to these young people. And that figure is 35 percent minority youth unemployment right now.

The problem really goes in many directions. We have to understand a great deal about some of the young people in terms of their need for independence and trying to break through a cycle that has existed, perhaps, for a number of generations. It will require pro-

viding counseling, mentoring, and individual attention, and creating a desire for a job as a means of independence and self-respect that going on crack or getting pregnant at 15 is not going to provide.

I have talked with a number of people like Coretta King and others about this aspect of it. I think there is nothing like getting out of your office, out of the ivory tower, and getting into the inner-city and being able to discuss problems with people who have actually been through it and who have been able to lick the problem and who can give you some very good practical thoughts as to how to relate to people who have problems. I feel this is extremely important.

We are working now on some specifics which I hope within the next couple of weeks will be ready to discuss with you. And I'd like to get input from you before we finalize our plans on what we can do to make our programs more effective and to tie them together across Government with things such as vocational education, which is up for reauthorization this year, and the JOBS program in HHS.

Senator SPECTER. Well, I think the Philadelphia experience is a good place to move forward because it is in motion. We have already done quite a lot. The Department of Labor has done quite a lot, as I say, Mr. Jones in the past, but there is a lot more to be done. And I think with your input and your sense of zeal, I think we can do a lot with it.

Secretary DOLE. Senator Specter, the week after next I'm going to be visiting our regional office in Philadelphia, and I would be happy at that point, if you are going to be there at that time, to get together and pursue this further.

Senator SPECTER. Week after next. That's the week of the 20th?

Secretary DOLE. The week of the 27th.

Senator SPECTER. Well, I would very much like to work with you on that.

Secretary DOLE. I am hoping to look at some of the specific things we are doing in Philadelphia at that time as well.

TRADE ADJUSTMENT ASSISTANCE

Senator SPECTER. Very good.

Let me shift now to a problem which is very acute in the other end of my State and that is the issue of trade adjustment assistance, and at the outset I compliment you and President Bush for including trade adjustment assistance as part of the budget where, as I understand it, it had been deleted on the last budget which the prior administration submitted. But I would call to your attention the problems which we confront on that line with the shortage of funding which is available.

Senator Heinz and I and others from the Pennsylvania delegation have frequent visits from people from Pennsylvania whose funds are lapsing. And we are facing that situation imminently where there will not be sufficient funds for the educational training or also for the support. And I know that you have a limited number of dollars to apply in many directions. But I would suggest to you that here is an area which really cries out for some additional assistance.

Secretary DOLE. We do have a supplemental that we are requesting because we expect that in terms of the training aspect, those funds will expire about May or June, and later during the summer, the benefits portion will be exhausted as well. So we are asking for an additional amount. I believe it's $92 million on benefits and $34.6 million on the training aspect in the supplemental.

Senator SPECTER. Pennsylvania reports, Secretary Dole, that, if I may interrupt you for just a minute, they will run out of funds this month for training and next month for benefits.

It is really a tragic situation. You talk about getting out of the ivory tower. I see it when I travel in western Pennsylvania and Pittsburgh, but I don't have to travel. They come down to see me, and they come in very large numbers. And it is a very difficult situation for those who are cut off from funds. And they are cut off right in the middle of their training program. And it seems to me that we just have to do something more on the issue of cash flow. And we do not get supplemental appropriations through on a fast track here because there are so many problems associated with them.

So, I would appreciate it if you would take a look at this one.

Secretary DOLE. I will, because my understanding is that it's likely to be a little later on most of this, but if you have a particular situation there, we'll be glad to try to address that.

Senator SPECTER. Pennsylvania, I think it is fair to say, has been hit harder than any other State or perhaps as hard as any other State. I don't want to take first place away from everybody else, but the steel industry is still recoiling. And these men in their late forties and mid-fifties are coming down, and they are in the midst of training, and they are in the midst of education, and the funds are out, and they ask, Senator, what am I going to do next? And I tell them that a supplemental appropriation is in transit, but it just doesn't answer the question for them.

Mr. Chairman, I have a fair number of other questions, but I want to yield now to my colleague, Senator McClure. Will we have time for a second round of questions?

Senator HARKIN. Well, I hope so. We have a vote at 4 o'clock, you know. So, go ahead, Jim.

13(C) CERTIFICATION

Senator MCCLURE. Thank you very much, and I will be very brief.

I am fascinated by the discussion in which we are involved that involves large national programs. And in some respects I am a little hesitant to bring up a very small and very parochial issue, but I can't resist the opportunity, first of all, you're familiar with it. In a prior incarnation, you had something to do with urban mass transit. And in the present incarnation, you have something to do with the other end of a problem that we have.

As you know, the city of Boise has had a very difficult time in the past in obtaining 13(c) certification from the Department of Labor to release funds under the Urban Mass Transportation Act. After an 18-months struggle, UMTA funds were finally released last April and Boise's annual formula grant from UMTA is now

pending before the Department of Labor for section 13(c) certification. I understand that the appropriate documents will be received at DOL within the next few days.

First, I would like to thank the Department for recent efforts at resolving the problem. It has been a particularly complicated and contentious case, and I appreciate the efforts of personnel at the Department of Labor, especially Maryann Mullen and Kelley Andrews who have worked very diligently to solve the problem.

But I have two questions for you now and a couple of others or several others I would like to submit for the record.

First, when the 13(c) documents are executed by the parties and forwarded to the Department, can you assure me that the Department will act quickly to provide 13(c) certification for Boise?

Secretary DOLE. Yes; and I anticipate that signing will take place very shortly. We have already reviewed it and feel that it meets the 13(c) requirements. As soon as it is signed, it will be certified.

Senator MCCLURE. If the union refuses to execute the 13(c) documents or otherwise attempts to delay the process, can you assure me that the Department will proceed on its own to resolve any outstanding issues and promptly make the appropriate 13(c) certification for Boise?

Mr. KOMAREK. We would have to work with the union on that, Senator, but we will certainly do our best.

Senator MCCLURE. Well, I understand you have to work with them and you have to try to get them to do it and find out what is bothering them, but I also recognize, as you do, that sometimes they find delay to be a useful weapon.

Secretary DOLE. We will try to expedite it, and I think we can be hopeful that the parties will sign it very shortly.

Senator MCCLURE. Well, I am hopeful they will too, and I appreciate your assurances.

I don't mean to castigate the union here. That is not my point. It's that the history of this particular case has been so contentious that there is reason to fear that some parties might desire to use the benefits to them, increasing their leverage, by refusing to sign or otherwise delaying the process. But I hope I am wrong, and I hope you are not put to the test of finding out how you will react if, indeed, they refuse to cooperate.

Secretary DOLE. We will try to expedite it.

Senator MCCLURE. Thank you very much.

Mr. Chairman, I do have some other questions which I would like to submit for the record.

Thank you very much, Madam Secretary.

DISPLACED FARMERS

Senator HARKIN. I have a couple of questions, Madam Secretary, regarding the possibility of displaced farmers. In Iowa a pilot program was recently initiated using Job Training Partnership Act funds to help farmers cope with the stress of overwhelming debts and possible loss of their farms.

I am interested in what further steps might be taken to see that other farm communities benefit from programs such as this. And does it make sense to tailor job training programs in agricultural

areas to help families keep their farms, particularly since many of them either can't relocate, they're older and yet perhaps with some type of training, perhaps they might be able to stay on their jobs on the farm?

As I said, in Iowa we had this pilot program. They used JTPA funds. As I understand it, it has been fairly successful, and I am just wondering if the Department is looking at things like that to take programs like that and expand them around the country.

Mr. JONES. Senator, as you probably recall, last year we formed a task force of States that had that particular problem when some of those demonstrations were put together, and we have been watching them all the way along.

We have a very complex set of issues. We have had trouble getting people into the programs. We have had trouble with eligibility because some of them are working two and three jobs, as you know. We are very interested in following those and crafting some successful models that several States, yours is one of the leaders, have been using and putting them back out to be used as models by everybody. But it is something we are going to have to keep working on a lot. It has been a very interesting experience, but it is going to take a lot more work.

Senator HARKIN. Just take a look at what they have done out there and see if there is any possibility for replication in maybe some other areas.

I have also been told by labor union officials in my State that there's a greater need for work place literacy training. Again, Madam Secretary, this has come about. I have talked to a lot of them. We had a lot of people laid off of John Deere and Massey-Ferguson, the whole problem with the farm sector, the recession we had in Iowa. A lot of these people had jobs that didn't require a great deal of computer literacy or anything like that.

Some of the community colleges in Iowa have had some programs for retraining some of these people. But what I hear is they simply don't have the kind of literacy they need for the new types of automation.

Again, I'm wondering what resources are available from the Department of Labor to assist organized labor and any other groups who need financial assistance to initiate work place literacy projects?

Secretary DOLE. Well, this is certainly another priority. There are about 30 demonstrations that exist right now in this area. In fact, one that I hope to visit soon is called SER. This is primarily for the Hispanic community. They're located in 87 cities and we have been funding them for a number of years now, and they have been very successful.

In addition to that, Senator Metzenbaum and I were talking recently about the fact that many people really are embarrassed to go to a center and say, "I don't know how to read and write." And is there a way through television to try to provide literacy training for many people? That is certainly a vehicle that we ought to explore. We'll be meeting with the networks on that very shortly.

We have made literacy a primary goal, a target, in all of our training programs. I anticipate that this is going to be something that we will very much focus on, trying to find yet additional ways

of addressing the problem and innovative ways of going about it. It's basic. So I certainly share that concern with you and will be happy to work with you on it and hearing ideas that you might have for us.

Senator HARKIN. I didn't know you had that. You have 30 demonstrations ongoing now.

Secretary DOLE. Right, and many of them are union.

Senator HARKIN. I'd like to know more about them, how successful, if there have been any problems in them.

Secretary DOLE. Fine, we'll be glad to get that for you.

[The information follows:]

MAJOR ONGOING WORKPLACE LITERACY PROJECTS WITHIN THE EMPLOYMENT AND TRAINING ADMINISTRATION

Workplace Literacy Training Models

Craft Math Training Program - The Home Builders Institute (HBI) developed a Craft Math literacy curriculum to provide youth with required math skills to enter the HBI construction training program.

Cuyahoga Community College Workplace Literacy Project - This project provides basic skills training to increase literacy levels of welfare recipients, out-of-school youth, ex-offenders handicapped and severely disadvantaged public housing residents with subsequent referral to occupational skills training and job placements.

Enterprise Jobs Literacy Program - This project will develop and implement a community-based literacy program to increase literacy levels of youth and adults who are underemployed or unemployed.

Indianapolis Model Literacy Project - An employment and training focused literacy model is being developed to provide alternative instructional approaches to improve basic skills levels of the functionally illiterate unemployed and underemployed.

Jackson Community College Pilot Demonstration Project - This project will develop and test course materials to provide training in technical skills area in the auto supply industry.

JTPA Education Project - The National Council of La Raza has implemented innovative education models at community-based centers that provide employment and training programs to Hispanic youth and adults.

Minnesota Youth Literacy Program - A Minnesota Youth Program summer and school year literacy training component will be implemented in an urban and rural site.

Quinsigamond Community College Workplace Literacy Project - This project will provide a program of custom-designed basic skills instruction for hourly workers.

Rhode Island Worksite-Based Literacy Program - Business/industry liaisons worked directly with employers, labor organizations and volunteers to facilitate delivery of on-site literacy skills training to workers lacking adequate basic skills for career advancement. This program was successful in improving the educational achievement levels of participants and will continue into 1989 with State support.

Success II - The private industry council and a social service agency located in Indiana are conducting a project to demonstrate the validity of three literacy training concepts using computer technology to increase the basic skill levels of disadvantaged and dislocated rural workers.

Utah Job Training and Economic Development Project - A model literacy project managed by the Salt Lake Private Industry Council

to integrate the services of JTPA, Job Corps and Vocational Education to provide basic skills and employment training services to economically disadvantaged individuals.

Technology

Job Skills Education Program (JSEP) - A joint project involving Labor, Education and Defense to adapt the U.S. Army's Job Skills Education Program for civilian use. JSEP is a highly successful computer-assisted approach used to teach young soldiers the basic skills needed for military occupations. The National Alliance of Business is providing technical assistance to integrate JSEP into existing employer-sponsored training programs at four private sector sites.

Literacy for Process Control In Food and Other Industries - Dominos Pizza Distribution has developed and is testing a training curriculum using interactive videodisc technology to improve reading and math levels of its workers.

Multicultural Career Intern Program - A project designed to develop and test a model curriculum and prototype interactive video disc program to improve basic skills of limited English speaking youth and adults.

New York Consortium For Worker Literacy - 8 unions within the city of New York and the City University of New York are conducting interactive videodisc training for New York City union members.

The Center For Advanced Learning Systems (CALS) - An in-house operation responsible for collecting and distributing information and providing technical assistance to ETA program offices regarding technology and its application to training and other workforce activities.

UAW/Ford Motor Company Joint Project - A joint effort to develop and test the use of interactive videodisc technology to provide workplace literacy training to factory production workers.

UAW/General Motors Training Project - A collaborative effort to develop and test the use of interactive videodisc technology for literacy training in the workplace for manufacturing employees.

Research, Assessment and Evaluation

Employer-Based Training: Best Practices and Transferability Project - The American Society For Training and Development (ASTD) identified practices among private industry employers which have proven to be most effective in preparing workers for jobs. A portion of the results are summarized in a publication, "Workplace Basics, The Skills Employers Want". More comprehensive coverage of other findings on the organization and structure of training will be available in 4 other publications: "Organization and Strategic Role of Training", "Technical Training", "Accounting and Evaluation" and "Basic Workplace Skills".

Job Corps Computer Assisted Instruction Pilot Project - An evaluation of the effectiveness of computerized literacy training for Job Corps enrollees.

Literacy Skills Required in Certain Occupations - Interactive Training, Inc. will document literacy levels of entry-level property management occupations. RMC Research Corporation will develop a research tool for determining the literacy levels required in certain job categories.

National Assessment of Educational Progress (NAEP) - The Educational Testing Service, building on work done for the Department of Education, will develop a workplace literacy assessment instrument for use in our JTPA and ES programs.

Policy Development

Georgia Illiteracy Project - The Georgia Legislature Black Caucus provided leadership and technical assistance to task forces in three rural counties to identify workplace literacy problems, formulate alternative solutions and develop county wide plans to improve literacy.

State Academy To Increase Workplace Literacy - 9 States participated in developing innovative and effective statewide strategies, that can be used by other states, in redressing the literacy problems of workers/potential workers with specific activities designed to further this goal.

Special Target Groups

Career Services and Job Placement Program - The National Puerto Rican Forum uses competency-based, self-paced individualized instruction to improve basic skills of Hispanics with limited English speaking ability.

Illinois Migrant Council - This project will provide literacy training to 35 limited English speaking migrant and seasonal farmworkers and Hispanic individuals.

Rural Employment Opportunities Project - Literacy assessment and referral services are provided to limited English speakers.

SER-Jobs For Progress - This project provides comprehensive literacy instruction for Hispanic youth and adults through neighborhood family learning centers.

Wider Opportunities For Women (WOW) Training Project - 6,500 low-income single mothers will receive literacy and employment training at four community-based organizations.

Workplace Literacy Training For The Handicapped - The Literacy Volunteers of America (LVA) trains volunteers to provide basic skills training to handicapped workers in Goodwill sheltered

skills training to handicapped workers in Goodwill sheltered workshops to help them move into unsubsidized employment.

Workplace Literacy Training For Public Housing Residents - The Maryland State Economic and Employment Department will test the use of interactive videodisc technology in providing literacy training to public housing residents.

EMPLOYMENT SERVICE REDUCTIONS

Senator HARKIN. Madam Secretary, once again you're proposing—well, not you—proposing to cut funding for State employment service offices by $80 million below the fiscal year 1989 level. In Iowa 103 of 899 employees would face the loss of their jobs, and I would just point out that in 1981 the Iowa Employment Service had 1,100 staff. This cut now would leave us with only 796 staff spread among 62 offices. And in 1981 we were probably at pretty full employment in Iowa. We didn't have as many problems as we have right now, and now we have—what—at least one-third—well, with this cut it would be about one-third less staff.

So, again, can you tell me what the rationale might be for forcing cutbacks of local employment offices especially in rural areas where we have had this kind of dislocation, where we need——

Secretary DOLE. Certainly the major consideration there is that we are at a point of a 14-year low in unemployment. Therefore, the need for the service is not as great as in former days, and it's a matter of a tight budget situation, trying to get the deficit under control.

This is an area where we felt that the $80 million cut made sense because both EDWAA and the JOBS program are going to be coming into play and will provide additional assistance to the extent that we feel there will be no lessening of services provided. So that's the rationale: that we are at a 14-year low, and it seems to be a time when we can use less funds there and also assure ourselves that services will not be decreased because of these other two programs that come on stream.

Senator Harkin, I would just add here, and this is something I have not had an opportunity to talk with my team about, but it seems to me that with the great deal of money that goes into the employment service, that at some point we ought to take a hard look at whether or not we are spending those dollars as efficiently and as effectively as we can. I think every program needs that sort of review periodically. And that's something that I would be interested in doing to see if we are utilizing them as effectively as we can at this point in line with the needs that we have in the employment and training area. I just throw that out as something I would like to talk with you about at some point.

Senator HARKIN. I hope we have the same determination to weed out the waste in the skill levels that I opened the whole hearing with that we have out there.

Secretary DOLE. Yes.

Senator HARKIN. Again, from every bit of evidence I have seen this money is going out for training these people way beyond the time that is required, twice as many days. This is a 50-percent sub-

sidy to the employers to keep them on, and yet we are being told that we have to cut back on the employment services offices when, as I understand, there is something like, if I'm not mistaken, $1 billion—let me find my figures here. I think it was somewhere near $1 billion that we still have in that fund. Yes; there's $1 billion surplus of the employer tax collections which can only be used for this purpose. And so, we have cut back on that.

Secretary DOLE. Let me assure you that we have specific changes that are going to be made. I will be happy to work with you on that.

Senator HARKIN. On the OJT contracts.

Secretary DOLE. Yes; we will sit down with you and show you what we intend to do and work with you. We do intend to make specific changes.

Senator HARKIN. Well, I would like to work with you on it. I hope so. I am glad to hear you say that you are going to target in on that.

Senator HARKIN. Senator Specter?

INDUSTRIAL HOMEWORK

Senator SPECTER. Thank you, Mr. Chairman.

Secretary Dole, there is an issue relating to your Department's act in lifting a ban on industrial homework. And I know that the Department of Labor is currently holding public hearings on this issue.

The questions arise as to whether it is realistic to enforce the provisions of the Fair Labor Standards Act when work is performed at home. The Fair Labor Standards Act, of course, is designed to make sure that minimum wage is paid, to protect child labor, to have adequate safeguards as to maximum hours.

And according to an article which appeared in the Washington Post on December 18—and I cite that only as the source for Department of Labor memorandum as it is alleged. It is not the newspaper's conclusion, but that is the referenced source to a memorandum prepared for:

> Labor Department Solicitor George R. Salem concluded that based on the Department's experience in trying to enforce wage and hours laws in the knitted outer wear industry, "We urge you to advise against going forward at this time with any final rule which is justified on the basis of satisfactory enforcement experience."

That is kind of an awkward way of saying it, but it appears that there is some authority in the Department of Labor that you can't enforce the provisions of the act if you lift the ban. And I would be interested in your thinking on this subject.

Secretary DOLE. Yes; first of all, Mr. Chairman, as far as women's apparel, which is the area where the advance notice of proposed rulemaking was issued in December, it's just that, an advance notice. It's to gather data to determine whether or not the ban should be lifted in that particular area.

We are open to comment. We want to get as much input as possible. I think there are about seven hearings that are being held this month and next month. We're going to gather the data and make a determination.

Now, as far as the enforcement rules or the enforcement teeth that were needed, a new plan has been provided which I think is very responsive. And that has occurred since the time of the memo that you read. Just to give you an idea, for example, the investigations will be increased from 400 in 1988 to 2,350 in fiscal year 1990.

HOMEWORKER STAFFING

Senator SPECTER. Where do you get the resources to do that, Secretary Dole?

Mr. KOMAREK. Senator, we are requesting 30 additional FTE's this year, and that is on top of 20 FTE's that were added last year and 9 FTE's which we had already. In total we have gone, in the last 3 years, from 9 to 59 FTE's.

Senator SPECTER. Are any of those coming from mine safety?

Mr. KOMAREK. No, sir.

Senator SPECTER. I raise the question as to mine safety because that is another item on my agenda where there appears to be inadequate personnel. You have a big, tough Department with so many people. The question comes to my mind as to how you can——

Secretary DOLE. Well, let me go back to, for just a moment——

Senator SPECTER. I interrupted my question, Secretary Dole, listening to Senator Harkin's squawk box. All Democratic Senators are notified that there is going to be a vote. Does that exclude Republicans? [Laughter.]

The question I'm coming to, Secretary Dole, is—and this is a big, big subject, and we can't cover very much of it today and there are some other subjects I want to get on to because the vote is imminent even for Republicans. [Laughter.]

HOMEWORKER CERTIFICATION

Secretary DOLE. And at some point I'd like to tell you more about the enforcement tools because I think it does address the problem you raised.

Senator SPECTER. I'm interested to know that, and I'm going to give you a chance to respond because I want you to respond.

But I understand that it is going to be on five additional industries. And the concern that I have is how you can really make it all happen given the tremendous responsibilities that your Department has for so many other enforcement lines. And I know in so many of them the resources are not adequate now.

Secretary DOLE. The ban has already been lifted on the five. That was done during my predecessor's time. Also new enforcement procedures were developed to address the concerns about the strength of enforcement and how you manage that.

Basically, it involves a biannual certification. It involves the employer providing the names and the addresses of all the employees. Handbooks are going to be provided in six languages to address the concern that many people will not speak English or not be familiar with the English language. All the wage and hour staff have been trained in effective homework techniques. That was done in 1987. As Tom Komarek mentioned, there are now 50 additional investigators, 20 in this fiscal year's budget—the current budget—and then 30 in next year's.

There is a provision also to require that employers with any questionable enforcement histories would post a bond.

We are trying to get at this in an effective manner with strong, new enforcement remedies, civil money penalties, revocation of certifications, as well as increasing the number of inspections a number of times over. I think that brings the investigation team to 59.

Senator SPECTER. Secretary Dole, perhaps that would be a subject for a separate hearing subject to the chairman's pleasure after your hearings are over.

Secretary DOLE. Well, I think we need to get the data from the——

EASTERN AIRLINES

Senator SPECTER. We really can't talk about it as intelligently now as we can after your hearings are over.

Secretary Dole, we have covered quite a number of details on the Department of Labor, and I have some more specific questions, but what about the Eastern Airlines strike? We haven't gone to the major topic, but I don't think we ought to pass that subject without some analysis from the Secretary of Labor, some statement as to——

Secretary DOLE. I think that certainly is what we are focused on at this point. We are looking at potential liability for underfunded pension plans that Eastern Airlines has because obviously the PBGC is going to be watching this very carefully. Eastern maintains several plans that are estimated to be underfunded by about $750 million.

Senator SPECTER. Secretary Dole, I don't want to cut short on that line, but if I may focus. I hadn't quite finished the question. If I may focus on the operation of the lines themselves.

I understand that there was a hearing in the House today, although we do not know precisely what happened there. There was a filing by Eastern Airlines for reorganization today, as I am told, under chapter 11 of the bankruptcy code. There is an issue now imminent as to whether there will be picketing and stoppage of Amtrak and SEPTA in Philadelphia and other lines.

What I would like you to address is, what role can the Department of Labor, the Federal Government, or the Congress have in trying to bring the company back together and to avoid these collateral problems which we are facing.

Secretary DOLE. Well, I think what has happened here is a very successful primary strike, Senator Specter. There was concern about secondary boycotting, but that has not really occurred. At this point in time, I think the scenario that was predicted earlier by the National Mediation Board where there would be massive disruption because of secondary boycotting involving Amtrak and the commuters and so on has just not occurred.

I think the bankruptcy of Eastern is evidence of the effectiveness of the strike, but it doesn't constitute an economic emergency. This is a labor-management dispute that I think at this point really has to be resolved between the parties.

As you say, they filed under chapter 11 for a restructuring. We don't know what the impact will be. There has been no indication of termination of the pension plans, but really the best course now it seems is for the Federal Government to stay out of the fray and let this resolve itself. And I do not see the potential of the secondary boycott at this point.

EASTERN AIRLINES SECONDARY BOYCOTT

Senator SPECTER. Do you really think we are out of the woods on the problem of the potential secondary boycott?

Secretary DOLE. I really have not had an opportunity to find out any more than you have today——

Senator SPECTER. I am trying to make travel plans for tomorrow afternoon.

Secretary DOLE [continuing]. Because I have been in hearings all day myself. But it would seem that the primary strike has been very successful, and that that would not be something that we would anticipate at this point. That involves their efforts in court.

Senator SPECTER. You are coming to Philadelphia soon and you're going to need Amtrak, Secretary Dole. [Laughter.]

It is very hard to get there from here if you don't have Amtrak. We fought those battles on Amtrak and through your help, we were able to maintain the Amtrak funding. But I am very much concerned about the possibility of secondary boycott.

What was the ultimate——

Secretary DOLE. You know that the President has indicated that if, indeed, it moved in that direction, that he would send legislation to you to eliminate secondary boycotts because this is the only area—under the Railway Labor Act—where they are permitted—for airlines and railroads.

Senator SPECTER. Secretary Dole, I have a concern about legislation which is enacted in the midst of a specific problem because when we are confronted with an emergency, there is always the problem that we may be responding to a given factual situation without sufficient application of the issue of principle.

But should that subject be addressed whether of not we have the Eastern strike? You haven't been Secretary of Labor long enough to say why wasn't this done before. But isn't this a problem that should have been taken up before we are in the midst of this kind of a crunch?

Secretary DOLE. I think at this point we are in the midst of a situation where the President has indicated under what conditions he will send that legislation. Let's let this resolve itself first, and then we can address the question from another angle. But he has said if they go to secondary boycotts, he'll send the legislation up.

Senator SPECTER. If and when he does, you will be right back here testifying. Then it is up to the Congress what to do, and we're going to ask the question, why now.

Secretary DOLE. Well, again, I can only repeat the President's position, and I support his position.

Senator SPECTER. I'm sure you do, Secretary Dole. [Laughter.]

Secretary DOLE. I don't think it would be wise to discuss it further because the President has said this in a way that has signifi-

cant meaning. I think that if there are efforts to engage in a secondary boycott, he will send legislation.

Senator SPECTER. I would be interested if you would care to expand upon the President's reasons for declining to call for mediation.

EASTERN AIRLINES MEDIATION

Secretary DOLE. First of all, there had been 16 months of efforts to do this, and I think his feeling was that for the Federal Government, especially in a situation in a deregulated climate, to intervene in a private dispute between management and labor was not the best route to take. There had been efforts for many months. Would an emergency board for another 60 days produce a different outcome? There is no reason to think that it would. No President in the last 20 years has convened a Presidential emergency board in the airline industry, Senator Specter.

Senator SPECTER. Have there been requests which have been declined under similar circumstances?

Secretary DOLE. I would have to check that for you. Not since 1978, I don't believe. Wien Airline was in 1978, and that was, I believe, congressional. So, it has been a number of years. Congress required that emergency board in 1978.

Senator SPECTER. I have seen statistics cited that the President had been requested to convene emergency mediation under the act and that it had been done in many, many cases, although they may not have been in the airline industry.

EASTERN AIRLINES ECONOMIC EMERGENCY

Secretary DOLE. The first thing we need to look at is whether or not there is a bona fide economic emergency. I think we would have to say that not in terms that there has been a very successful strike, but in terms of an economic emergency that ties up transportation in a particular sector of the country. That test needs to be met in order to convene——

Senator HARKIN. Can I interject here?

Senator SPECTER. Yes.

Senator HARKIN. No; go ahead.

Senator SPECTER. No; I think it is safer if you go ahead. [Laughter.]

Senator HARKIN. Well, I was just saying that I just wanted to make note that you said that he hadn't set up an intervening board in the airlines. But, indeed, last year when you were Secretary of Transportation, such a thing happened in our area of the country when the C&W and the UTU——

Secretary DOLE. Yes; it is used much more often in the railroad area.

Senator HARKIN. And I noted that Secretary Skinner, then the head of the transportation deal in Chicago, supported that at that time last year. And I'm not certain what your position was on that, but it was used last year when the C&W and the UTU—they had been going on for a couple of years on that. And it was used very successfully.

So, again, I just point that out. It may not have been used in the airlines, but it was used in the Midwest. And I dare say that I don't know that that pending strike would have disrupted transportation any more than what the Eastern Airlines strike has disrupted traffic on the east coast.

Secretary DOLE. I noticed with interest that the parties met yesterday for renewed bargaining. Perhaps there is hope that something can yet be settled that resolves it.

Senator SPECTER. Secretary Dole, Senator Harkin and I have been saved by the bell. The bell has just rung for the vote on the Tower nomination.

I certainly do not have the answer on Eastern. I think it is a very tough problem. I was about to say before Senator Harkin made his comment that I'm not sure we don't have an economic emergency. That is a subject that is subject to varieties of definition. It is a very tough issue, and at this stage all we can say is we have to watch it. I am hopeful, as you are, that the parties will come to a conclusion.

Secretary DOLE. I think on the secondary boycott issue, there is a great deal of court action that plays into that in terms of temporary restraining orders and other things that Eastern has sought.

Senator SPECTER. Well, the only issue that I would really be inclined to disagree with you on is the potential for secondary boycott. I am very much concerned that there is a potential.

Secretary DOLE. I don't know the answer to that. I can't look into a crystal ball on that.

Senator SPECTER. No; of course not. That is a judgment call.

Senator HARKIN. I just want to cover one thing before we have to leave, and we got off on Eastern, which is fine, but we can't do a heck of a lot about it here.

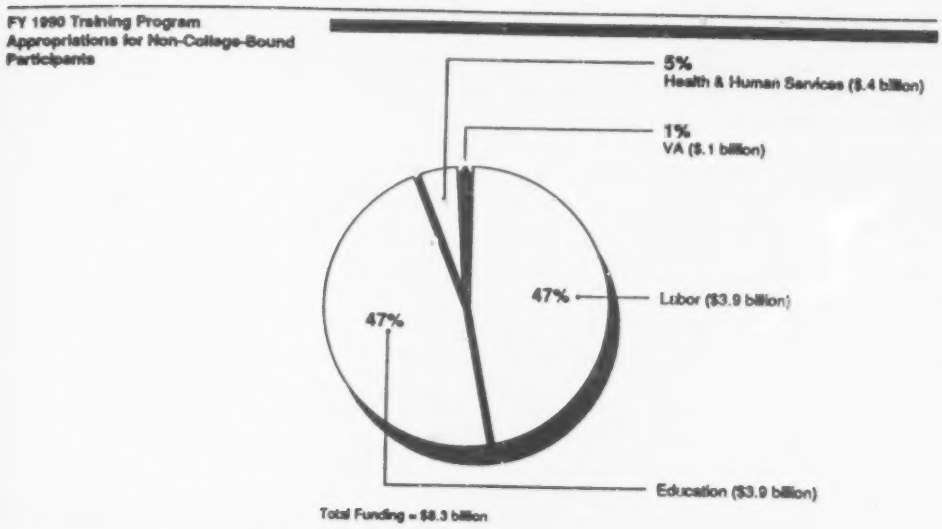
Secretary DOLE. No.

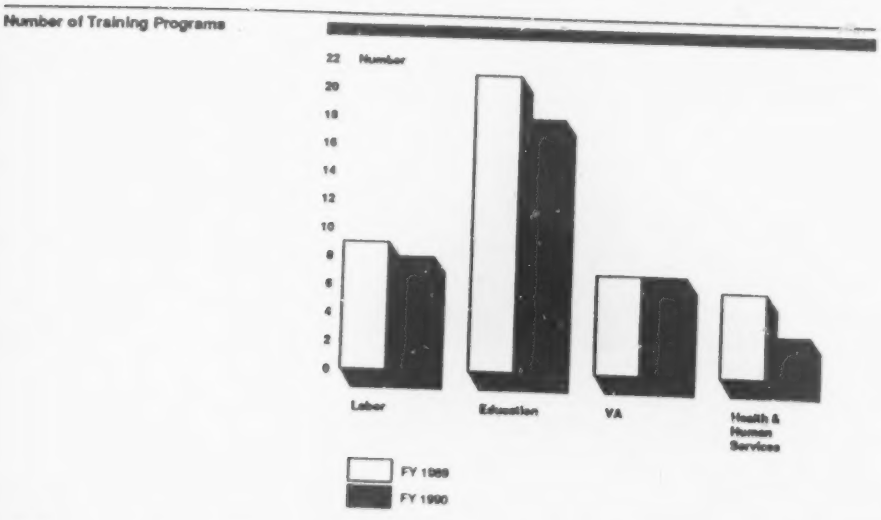
TRAINING PROGRAM IMPROVEMENTS

Senator HARKIN. Some of these things we can do something about here, Madam Secretary.

I put these charts up here to show, for example, the number of training programs that we have. Now, basically what we are having I think is a failure in our literacy rate here in terms of the type of skills and skill requirements to meet the jobs that we need in the future.

TRAINING PROGRAM APPROPRIATIONS
AND NUMBER OF PROGRAMS





What we have here on the right chart was the number of training programs. I have here 43. There are 43 training programs right now in existence for which $8.6 billion is requested in fiscal year 1990, funded through four different Federal agencies. And you can see the different ones. Most of them in Education. Labor is second, then VA, and then Health and Human Services.

So, 43 programs. They are all over the board out there. Again, my concern about this proliferation of programs is that there may be considerable duplication, fragmentation of services, as well as significant gaps.

I guess what I want to ask you is there one focal point anywhere within the administration to oversee all these programs, assess the extent to which they function as a rational system, as a whole system, or are they all marching off in different directions. Who is pulling this all together?

Secretary DOLE. Senator Harkin, I think that a comprehensive human resource policy is very much needed. And I have invited the Secretaries of Education and HHS to meet with me on the 21st of this month.

I feel that there is much we can do in this respect. The initiatives that we will be presenting to you—specific suggestions for change for some legislation—will be coming to you shortly. I want to sit down with you and go through it with you in a few weeks. I hope that we can really begin to move in this direction because these activities are under different committees in the Congress, different departments in the Government, different service delivery areas at the local and State level, and we must do something about this.

I couldn't agree with you more. We have to make certain that limited dollars are used as efficiently and as effectively as possible. It seems to me the key is, in each of these programs, to make certain that a number of things occur.

First of all, that there is assessment in terms of problems and needs, that there is careful assessment, and that we provide for the individual needs.

Second, that there is targeting, that we know exactly what groups we are concerned about and how to provide the kinds of services for that particular group.

Third, that there are performance standards so that we set higher achievement levels and we try to provide the kinds of skills to move people into jobs that will give them real opportunities.

And finally that there be cooperation and coordination between these programs.

Now, if we could achieve assessment and performance standards and targeting and cooperation in every program, then I think we can tie them together in a way that makes a lot of sense. I for one am very willing to put a lot of time into trying to make this happen. I really care about this. Bob Jones does, too. We have already spent a lot of time trying to work on this together in terms of a program that we can present, hopefully, in a few weeks. I would very much like to get your reaction to it.

INTERAGENCY COORDINATION

Senator HARKIN. This goes back to whole skills mismatch area. I want to ask you about that because I know you are greatly interested in that and you have done a lot of work in that area, about the skills mismatch and what we are looking at 10 years down the line. But I don't know if we have time for that now.

But, again, I would hope that the President would establish you or the Secretary of Education—I guess all are under our committee except VA—to be one focal point for pulling all of these things together to do the kind of assessment that you are talking about to make sure that we don't have that kind of overlapping here.

Secretary DOLE. I intend to take this idea to the Economic Policy Council and to, through the council, work with the other departments, as well as through the separate track that I have mentioned of starting to sit down with them immediately and start our senior staffs working with each other on a weekly, a biweekly basis, or whatever it takes.

Senator HARKIN. Let's have our staffs work together.

Just quickly, how serious is this problem of the skills mismatch that I keep hearing so much about?

Secretary DOLE. I think there is no question that, as was mentioned earlier in terms of young people who are unemployed at the same time we have jobs that are going begging, it's a real problem.

Senator HARKIN. Can I just say one thing there? I'm sorry to interrupt, but about the 35 percent unemployed, I think it was Senator Mikulski who pointed out this morning that they are employed. They are employed in dealing with drugs and crack and everything else.

Secretary DOLE. That's right.

Senator HARKIN. And some of them are making a pretty darned good living doing it.

Secretary DOLE. That's my point. If we want to impact those problems, what could be more important than a job for these individuals? I think we really have our work cut out for us. But it's a noble cause, and I really look forward to working with you on that.

Senator HARKIN. Thank you, and I would like to work with you. I wish we could get into this more. I have some more on this whole area that I would like to get into, but we have to go vote. It wouldn't be fair—I know you're busy—to have you wait. We'll just get to it again some other time.

Secretary DOLE. And I look forward to bringing these plans and talking with you about them in a couple of weeks.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you, Madam Secretary.

There will be some additional questions that we will be submitting to you for your response from several Senators.

We are only going to recess. We are going to be back to have the IG, the inspector general, up next. So, I'll be back. We'll recess for about 10 or 15 minutes.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SKILL LEVEL OF THE AMERICAN WORKFORCE

Question. Madam Secretary, I am concerned and I believe you are, too, about the skill level of the American workforce and the growing mismatch between skills and skill requirements of jobs currently available and jobs expected to be available in the year 2000.

In the 1850's, as America moved ahead of the British as a dominant world industrial power, much of the credit for the American advance was given to our high literacy rate of over 90 percent at that time. In England by contrast in the 1850's only two thirds of the people were literate. Now, as America seems to be slipping and forfeiting our manufacturing superiority to the Japanese, it seems that a large part of that is the result of the Japanese having a better educated workforce. In 1988 Japan's functional literacy rate is better than 95 percent and in America our functional literacy rate is about 80 percent. Much of the success of Japan stems from the fact that its blue collar workers can interpret advanced mathematics, read complex engineering blueprints, and perform sophisticated tasks on the factory floor far better than blue collar workers in the United States.

It seems to me that several forces are combining to produce the leap in skills the economy will require. First, technology is upgrading work required in most jobs. Second, job growth will be fastest mainly in highly skill occupations. And finally, the way in which work now is being organized requires a completely new set of skills.

Madam Secretary, do you agree that there is a growing mismatch between the skill level of the American workforce and the skills required by American jobs?

Answer. Yes. Many employers are already finding it difficult to recruit new workers. With a slowly growing workforce and a rate of job growth outdistancing other western countries, employers have a greater incentive to reach out to minorities, the disadvantaged, the disabled, and other groups, but only if they're qualified. These same individuals have traditionally faced substantial obstacles in the labor market.

Most new jobs being created require higher skill levels. Many new workers will not be qualified to take advantage of these new employment opportunities. Thus, we face the prospect of a surplus of people without the skills demanded by a highly competitive, information-based economy while a growing number of higher skill jobs go begging at the same time. This is, indeed, a skills mismatch or "skills gap." It sets up a scenario for wasted human potential and a breakdown of our labor markets. It also hinders the growth of our economy.

If we are to ensure that everyone--including young people, minorities, the disadvantaged, and others groups--are equipped with the skills they need to qualify for employment and to create more economic prosperity, we need to address the skills gap for current workers and our future young workers.

WORKFORCE PROFILE

Question. Madam Secretary, it has been a long time since America's population profile bore much resemblance to the party that landed at Plymouth Rock. The ethnic and social mixes are ever changing and becoming less white and more minority, and these changes seem to have significant implications for the U.S. workforce. A disproportionate number of the young people growing up in these minority families are poor and headed by single parents. About one quarter of all children born out of wedlock are born to parents who are poorly educated, frequently young, and often unskilled.

Madame Secretary, what can you tell us about the profile of the worker entering the workforce in the year 2000?

Answer. The workforce in the year 2000 will be older--the average age of the American worker will be 39. Because of the decline in our birth rate, there will be fewer younger workers to fill new jobs. Of the younger workers who are available, they are likely to be poor or from single parent families. Such youth have traditionally had difficulty in making the transition to employment. The majority of new workers will be women, minorities or immigrants. Due to changing technologies and competition domestic and international, these workers will face a rapidly changing workplace. Most of the new jobs will require higher basic skill levels. Many of the new workers will not be qualified because of inadequate basic skills. An estimated three-fourths of these new workers will have limited verbal and writing skills, suited to only about 40 percent of the new jobs. This situation is becoming known as the "skills" gap.

Question. Will they be more female, more minority and more immigrant than they have been in the past?

Answer. Yes. The majority of the new entrants will be women, minorities and immigrants. Most of the labor force growth through the year 2000 will come from these population groups--groups traditionally underutilized and which have experienced labor market problems. This is a dramatic shift from the past, since white males will make up only 15 percent of the new workforce. Overall, 47 percent of the workforce will be women compared to 45 percent in 1988; women will comprise approximately three-fifths of the new entrants. Minorities--including Hispanics--will account for about 26 percent of the workforce in the year 2000, up from 21 percent in 1988. About 4.9 million immigrants are expected to be added to the labor force by the year 2000.

Question. What challenges does this give us for our job training programs?

Answer. The changing workforce will present significant challenges for job training programs. Because the number of new workers will continue to fall, business will be scrambling for talent. We have an opportunity to help those traditionally left behind--minorities, the disadvantaged, the disabled and other groups--to qualify for employment opportunities. We must renew

our emphasis on job training for disadvantaged youth, better target resources on the disadvantaged and minority populations, and demand higher achievement levels of those coming out of our job training, education, and welfare systems.

To build a first class workforce, we need to address the "skills" gap in our job training and education programs. We need to enhance literacy instruction in all job training programs, make literacy and basic skills training more accessible, and explore new ways to reach people and provide instruction. We can also make significant progress in job training by working closely with other human resource development programs--such as vocational and adult education, social services and health agencies, welfare programs, and the private sector--to build a comprehensive system which will effectively integrate the disadvantaged into a competent workforce.

OUTCOMES FROM JOB TRAINING PROGRAMS

Question. I am aware that programs funded under the Job Training Partnership Act are subject to rigorous performance standards to identify outcomes but this does not appear to be the case with many other Federally-funded training programs.

Do you intend to work with other Federal agencies to develop sound management tools focusing on participant outcomes of job training programs?

Answer. Yes, the Department of Labor has been working with staff from both Agriculture and HHS on outcome measures for food Stamps Employment and Training Programs and the JOBS Program respectively. Complementary goals and performance standards among the various employment and training programs currently funded will greatly assist coordinated planning and help ensure worthy accomplishments for those in need at the State and local level.

CUTBACK IN JOBS FOR OLDER AMERICANS

Question. One of the most popular and cost effective programs considered by this Committee is Community Service Employment for Older Americans. It gives meaningful jobs to low-income persons, aged 55 and over, in day-care centers, schools, hospitals, senior citizen centers, facilities for the handicapped, and conservation projects. Even though there are waiting lists in many areas, and only a small fraction of the eligible population is being served, this Administration is proposing a cutback. What sense does it make for the President's budget to cut this program by $7,824,000, forcing elimination of 1,500 jobs?

Answer. This is one of a number of decisions that are required to reduce the deficit. The reduction results in only slightly more than a two percent cut in the number of jobs financed by this program. Departmental efforts will continue to place program participants in private jobs and to serve as many people in this and other programs.

Question. Doesn't it make sense to expand efforts to both help low-income elderly persons have meaningful work and income, as well as benefiting so many others with the valuable community services they perform?

Answer. The Older American program serves approximately 100,000 persons through the 64,300 plus slots each year or one percent of the 8 million who meet the economic criteria of the program. Evidence of tightening labor markets and skill shortages confirms that the private sector is already responding to a growing need for these experienced workers and the need will continue to grow into the next century. In view of this, and the need for fiscal and budgetary constraints, we would not support further increases for this program.

Question. With 8 million older Americans eligible for this program, is there any doubt that more funds could be effectively used?

Answer. Many of the 8 million eligible for this program are not able or not interested in participating in the program. No one who currently has a job will lose it. Furthermore, the Department believes that a small reduction in the number of job slots such as that proposed will have little or no effect upon the operation of the program, given the frequent turnover of participants in the program.

Question. If your minimum wage bill is enacted, how much would have to be added to this appropriation just to avoid a further reduction in jobs?

Answer. Assuming that the effective date of the three thirty cent increments to raise the minimum wage to $4.25 per hour is January 1 of each year with the first increase effective January 1, 1990, the Older Americans program, for which $336 million is requested in PY 1990 to fund 64,300 slots, would require an additional $18.6 million for a total appropriation of $354.6 million in PY 1990.

EXCESS BENEFITS UNDER JOB TRAINING CONTRACTS

Question. The Inspector General has identified instances where local job training subcontractors are using performance-based fixed-price contracting to make sizable profits from Federa funds, which under current law, appears to be perfectly legal. Here is an example: one entity received a profit of $62,443, or 977 percent over its actual costs of $6,388. Part of the profits were then used to pay disallowed audit costs.

How widespread is the use of performance-based contracting, and how much profits are being generated?

Answer. There has not been a systematic study of the profits being generated by such contracts. The Department has no information at this time which indicates that such profits are excessive, although there may be individual cases where questions may be raised. The Department has already taken the position, in

its performance based contracting policy, that earnings under JTPA must be used for authorized program activities.

Question. Isn't there potential for a scandal if it turned out job training contractors were diverting Federal funds for their private use?

Answer. The Department agrees that such a situation would be unacceptable. The Department has, however, no information of this type that such a situation exists. Under the existing system, such a practice would most likely first be identified through an audit. If identified, the committee may be assured that all appropriate actions would be immediately taken. The Department has already taken the position, in its performance based contracting policy, that earnings under JTPA must be used for authorized program activities.

Question. Do we need legislation to correct this problem, either to eliminate performance-based contracting, or to require that profits be plowed back into job training programs?

Answer. The Department anticipates making some recommendations to Congress later this year which will include recommendations on procurement practices under JTPA. The Department has already taken the position, in its performance based contracting policy, that earnings under JTPA must be used for authorized program activities.

DISABLED AMERICANS

Question. You have testified that it is within our reach that every American who wants a job can have a job. Yet only one-third of disabled Americans work, even though two-thirds of those who are not working would like to have a job.

What specific changes do you recommend to help those with disabilities overcome barriers to employment?

Answer. The Department can make its greatest contribution toward increasing the employment opportunities of disabled Americans by continuing to educate the business community on the merits of investing in this underutilized group within our workforce, especially as we approach the year 2000. With appropriate skills development and follow-up, disabled persons can be placed in employment that can be productive for both the employee and the employer. The Department is funding several pilot and demonstration programs that focus on increasing the employment opportunities of our disabled workforce. One such project, IAM CARES, operated by the International Association of Machinists and Aerospace Workers, establishes a national labor and industry-based model to train persons with disabilities and place them in employment in the aerospace and machining industries. In addition to successfully training and placing disabled persons, the project will identify employer disincentives in hiring disabled persons, develop guidelines in labor contract provisions to protect the rights and job security of the disabled, and design alternative placement methods and techniques for use by other

unions and employers to enhance the employment of disabled persons. IAM CARES has produced videos, brochures and other materials on the success of its approach.

Question. Should Job Training Partnership Act performance standards be revised to give greater incentives for enrolling the disabled and other severely disadvantaged individuals?

Answer. The current JTPA performance standards system affords the flexibility needed to provide greater incentives for enrolling the disabled and other severely disadvantaged individuals. Governors can adjust performance standards for increased service to handicapped and other severely disadvantaged individuals. "Handicapped" is one of many characteristics included in the optional adjustment models which may be used by Governors to vary SDA performance expectations. A technical assistance guide is also available to Governors who wish to adjust local standards beyond what the Department's optional methodology provides for those SDAs that serve large numbers of disabled or other disadvantaged individuals. The third currently available option is for Governors to place additional weight in their incentive policies on service to hard-to-serve groups such as disabled individuals or other severely disadvantaged groups. Some State policies require specific service levels to target groups including the disabled, and other Governors set additional hard-to-serve performance standards which are used to reward successful results with specific hard-to-serve groups.

NEW JOBS PROGRAM UNDER SECRETARY OF HHS

Question. Title II of the Family Support Act of 1988 the Job Opportunities and Basic Skills Training Program (JOBS) calls for education, training, and employment assistance aimed at moving welfare recipients towards self-sufficiency.

What directions and technical assistance will the Department of Labor provide to the States and service delivery areas (SDAs) to bring about coordination with JOBS. For example, will the Department encourage a joint data reporting system for welfare participants?

Answer. The Department of Labor is actively engaged in technical assistance and administrative activities to promote coordination between DOL-funded employment and training programs--the Job Training Partnership Act (JTPA) and Employment Service (ES)--and the JOBS program. Department of Labor staff--in many cases, with Department of Health and Human Services (HHS) staff--have participated in recent conferences and seminars to underscore the importance of coordination between job training and employment programs and JOBS to provide cost-effective services that result in reduced welfare dependency.

We are also developing a technical assistance action plan. As part of this plan, we will disseminate information on "what works" for the JOBS population based on actual program experience, research, demonstrations, and evaluations. Governors and State and local JTPA, ES, and JOBS officials will be targeted as

specific audiences for technical assistance information and activities.

We are working closely with HHS on the development of the program regulations and other operating guidance. Our agenda is to ensure that these documents stress the need for coordination and collaboration between job training and employment, education, and JOBS programs and that, to the extent possible, the new JOBS program draws on existing education and job training systems. To foster coordination, for example, HHS's preliminary drafts of reporting rules define JOBS training and work components as closely as possible to the definitions used by JTPA and the Employment Service.

The Department of Labor believes that coordination arrangements predicated on compatible measures of performance are desirable and will encourage the establishment of compatible data systems.

Question. What are the Department of Labor and Health and Human Services' plans for sharing lessons learned in developing performance standards for use in JOBS?

Answer. Department of Labor staff have participated in meetings at the Department of Health and Human Services (HHS) to begin discussions about performance standards under JOBS and to share the Department of Labor's experience in the developmental process of establishing and refining performance standards for JTPA. HHS staff have attended informal meetings at the Department of Labor. HHS staff also attended a recent conference, "JTPA Performance Standards '89: Managing Quality Programs" cosponsored by the Department of Labor and the National Alliance of Business. The Department of Labor has also made available relevant research by the Department and the National Commission for Employment Policy (NCEP). We will continue to meet with HHS staff to assist in the identification of long-term impacts and interim performance measures and development of a JOBS performance management system.

Question: Will the Departments actively encourage joint efforts under which JOBS will provide the basic education component and the Job Training Partnership Act skills training for welfare dependent youth?

Answer: The Departments of Labor and HHS plan to encourage Governors and State and local JTPA, ES, and JOBS officials to design high quality education, job training, and employment programs that help welfare dependent youth acquire the skills to qualify for employment opportunities. As part of our technical assistance effort, we will disseminate information about integrated service strategies that have worked for welfare dependent or at-risk youth. JTPA shifted responsibility and discretion for administering job training programs from the Federal government to the State and local governments, and JOBS underscores the management and administrative responsibilities of the State. Within this framework, HHS and Department of Labor staff expect to work with States to develop coordinated, comprehensive services for welfare youth. States and local areas are responsible, however, for tailoring the services and delivery arrangements to the unique needs and resources of local areas.

TARGETING OF JOB TRAINING RESOURCES

Question. The Labor Department's data collection system does not readily permit a determination of whether job training programs are targeting services to any particular group, such as those who are most in need of training to enter and advance in the labor market. GAO testified in September 1988 that the Job Training Partnership Act does not appear to be targeting services to any one group.

Does the Labor Department have a policy with respect to targeting services to those most in need? If so, what is that policy and how has it been implemented?

Answer. Yes, the Department continues to look at ways to better target resources on those most at-risk among the economically disadvantaged population. Although 94 percent of JTPA's enrollees are economically disadvantaged, we must make sure that we are reaching the most severely disadvantaged, particularly those with multiple barriers to employment. We have already made changes in our performance standards to emphasize services to those most in need. The Department is reviewing targeting services on more specific groups of participants.

Question. At current funding levels, how would emphasizing services to those in the greatest need of training impact on the total number of participants the Job Training Partnership Act would serve?

Answer. This would require providing longer-term more intensive services to participants. The increased level of services will result in a decrease in the number of participants served. However, in the long run this may be more cost effective.

Question. Do you contemplate any changes to program performance measures to encourage services to those in the greatest need?

Answer. The Department is constantly reviewing JTPA performance standards to ensure they are achieving the goals of the program. The JTPA Advisory Committee is expected to address this in their report scheduled for release in mid-March.

EXCESSIVE ADMINISTRATIVE COSTS

Question. The Inspector General's latest semiannual report indicated that job training regulations allow more than 15 percent of block grant funds to be charged to administration, contrary to law.

Do you have reason to believe there is widespread diversion of job training funds to cover excessive administrative costs?

Answer. The Department does not believe that there is a widespread diversion of training funds to administration. Certain adjustments may be appropriate and the Department is considering recommending such adjustments to the Congress.

Question. What is being done to insure that administrative costs are accurately reported, and not hidden within expenditures reported as training costs?

Answer. The Department believes that costs under the JTPA program are being reported accurately. There are no indications at this time that costs are being charged to cost categories inconsistently with the requirements of the Act and the regulations. In addition, the recently issued DOL policy guidance on performance based contracts includes sections that clearly define what constitutes training and provides guidance on separately pricing each type of training curriculum.

Question. Is the 15 percent limit on administrative costs a reasonable ceiling?

Answer. The Department is now considering this issue along with others.

SAFEGUARDING JOB TRAINING FUNDS

Question. The Inspector General recently reported that 83 percent of a sample of job training contracts failed to adequately protect Federal appropriations. The report said: "In a program of this magnitude ($1.8 billion in block grants alone) the fact that such a large percentage of the sampled contracts did not contain elements necessary to adequately protect Job Training Partnership Act funds is significant. In our opinion, this has the potential to result in waste and abuse of Federal funds."

What is your response to these Inspector General findings?

Answer. Though the Department has problems with aspects of the methodology and thus some of the conclusions drawn in this report, the Department is concerned about these findings. The Department believes that good procurement practices are essential to good and effective programs. In this respect it is the Department's intent to move toward assuring that proper procurement systems are in place by (1) urging States to review the situation in their States and taking action as appropriate; (2) developing policies and interpretations such as those contained in the recently released performance based contracting policy; (3) considering, and implementing as appropriate, new regulatory and statutory requirements, and (4) providing procurement training.

Question. Do you agree that significant improvements are needed in the way job training contracts are written, to properly safeguard these public funds?

Answer. The Department believes that certain problems have been identified which are being addressed. The Department has moved on these problems, through the issuance of new performance based contracting policies and with plans to provide extensive procurement training. In addition the Department is considering both statutory and regulatory changes which may be appropriate.

Question. What is being done to assist local project sponsors to strengthen job training contracts?

Answer. The recently released performance based contracting policy will provide some guidance. In addition, the procurement training to be provided later in the year will provide more specific assistance.

JOBS PROGRAM

Question. The Family Support Act of 1988 calls for a series of demonstrations and studies, such as testing financial incentives to reduce the school dropout rate, providing programs of nonacademic services to reduce school dropouts, and testing alternative definitions of unemployment in the welfare law. Funding for some of these studies has been authorized but not appropriated.

Does the Department of Labor plan to fund any of these demonstrations with its research monies?

Answer. Title V of the Family Support Act of 1988 authorizes six demonstrations: (1) early childhood development and family support; (2) training AFDC women as paid child care providers; (3) testing alternative definitions of unemployment as work tests in the AFDC law; (4) projects relating to child access in separated families; (5) expanding job opportunities for low-income individuals; and (6) providing counseling and special services to high-risk teenagers.

The demonstrations relating to childhood development and family support, work tests for AFDC eligibility, and child access in separated families are outside the purview of the Department of Labor. The other three demonstrations are in areas of interest to the Department of Labor. They have been the topics of past research and program emphasis. For example, in the child care area, a study conducted by the Labor Department indicates that roughly a third of local Service Delivery Areas (SDAs) have programs funded under the Job Training Partnership Act (JTPA) to train individuals in the child care field. About 3,000 individuals receive training in child care under JTPA and 3,500 receive work experience in this area. It is not clear from available data what proportion of these individuals are AFDC recipients, but the presumption is that many of them are. In the area of services to high-risk youth, we are currently conducting a number of demonstration projects to increase their employability. These include the provision of intensive basic skills, counseling and support services in alternative schools and the nationwide replication of a program which augments regular school programs with remedial education, life skills instruction, and part-time work during the summer.

While the Department will continue to undertake research in several of the broad areas noted in Title V of the Family Support Act, the Department has no plans to fund any of the specific demonstrations listed in the Act.

COUNCIL ON COMPETITIVENESS

Question. The Council on Competitiveness has recommended that Job Training Partnership Act programs give more weight to basic literacy and education. It also recommends a quick phase-in to full funding of the new dislocated worker program. Further, it recommends updating Employment Service information systems.

What is your response to these recommendations?

Answer. The Department concurs with the recommendations on literacy and education. The Department continues to focus on and increase the efforts to provide literacy and educational assistance to JTPA participants. These efforts started with the Workforce 2000 effort. The Department has also supported Project Plus, a public /private venture undertaken by the ABC and PBS television networks. With respect to funding for the new dislocated worker program, the Department has requested a level of $400 million for PY 1990.

With regard to the new dislocated workers program, the Department's request would provide a substantial increase beginning in July 1990.

HOMELESSNESS

Question. We understand that you are revising the fiscal year 1990 budget request for the McKinney Act's Job Training for the Homeless. What is the total fiscal year 1990 request for this program?

Answer. President Bush has requested that job training for the homeless be financed at the $13 million level authorized by the McKinney Act, rather than the $9.4 million included in the Reagan budget.

Question. How much of this total is sought for the reintegration of homeless veterans?

Answer. As authorized by the McKinney Act, $2.2 million of the $13 million requested is earmarked for the reintegration of homeless veterans.

Question. Would you please give us examples of what the job training needs of homeless individuals are and how you are designing programs to meet these particular needs?

Answer. Homeless individuals have a variety of needs relating to job training, including a stable living situation while they are receiving training and support and counseling after placement so that they are able to retain employment. Among the ways to assure that their needs are met is through the use of a personal advocate to help negotiate bureaucratic obstacles. In developing our Job Training for the Homeless Demonstration Program under the McKinney Act, we have emphasized a "case management" approach for providing job training. One manager is charged with moving the homeless individual through all the services necessary for placement and retention in a stable job. Most of the 33

grantees selected to operate local projects under this program are employing a case management approach.

SERVING PERSONS WITH DISABILITIES

Question. What efforts are being undertaken to improve job training services for the disabled, who need special help overcoming barriers to employment?

Answer. The Department's earliest association with programs for the disabled began in 1966 under the Manpower Development and Training Act. The involvement has been continuous since then, and seven national organizations for the disabled are currently funded by the Department. Approximately 7,000 disabled persons are being served by these programs in Program Year 1988, and it is projected that 4,800 will be placed in jobs. The programs collectively engage in a wide variety of activities, including recruitment, pre-employment screening, evaluation and counseling, job search training, job search assistance, job development, job referral, job placement, support services, promotional efforts aimed at employers and the public at large, preparation and dissemination of multi-media information, development and maintenance of applicant registers, job announcements and job banks.

In its 1988 publication, Opportunity 2000, the Department emphasized that the disabled are an under-utilized source of workers and that they will play an increasingly important role in the dramatically shifting workforce of the coming century. It pointed out that technology has opened many doors to learning, such that with proper accommodations, individuals with disabilities can perform nearly any job that the non-disabled can.

Question. What is being done to prevent emphasis on achieving performance standards from discouraging enrollment of disabled persons in job training programs?

Answer. The Department of Labor collects information on the numbers of handicapped individuals served by JTPA. This is one of the characteristics included in the optional Departmental adjustment models which may be used by States to vary local Service Delivery Area (SDA) performance expectations. "Handicapped" is included as an adjustment factor in all models where services to the handicapped has a statistically significant effect on performance.

The Department of Labor also issues a technical assistance guide which States may use to make adjustments beyond the "model" for programs that serve a disproportionate share of disabled or handicapped persons. Some Governors set incentive policies which contain provisions requiring specific service levels to target groups including the disabled; other Governors set additional hard-to-serve performance standards which are used to reward successful results with specific hard-to-serve groups including the disabled.

Question. How much is budgeted for special national job training programs for the handicapped in FY 1990, compared to 1989?

Answer. Assuming satisfactory performance by the current national organizations, we expect funding for these programs in FY 1990 to be at the same level, $3.7 million, as in FY 1989.

DELAYING THE JOB CORPS CENTERS VIA "SUPPLEMENTAL"

Question. You are asking for a supplemental of "not to exceed $13,492,000" in order to maintain existing Job Corps Centers, but instead of requesting additional funds, you propose to transfer amounts earmarked by Congress for opening six new centers. If we agree to a transfer of funds, why shouldn't we take the money from items requested by the Administration, instead of Congressional priorities?

Answer. The Congress provided $63,149,000 for Job Corps center construction, rehabilitation and acquisition activities, of which $35,568,000 was for new center construction, and $27,581,000 was to meet continuing construction needs at existing centers. Another $678,676,000 was provided to operate centers in Program Year 1988. Because of the projected operating shortfall, we asked that $13,492,000 intended for new center construction be transferred to the operations. The $27.6 million provided for ongoing needs is the very minimum necessary to maintain facilities. As is, very few improvements can be made to properties. Most of the funds will be needed for health and safety needs and other required repairs. Any further reduction to operations or capital budgets for on-going centers would be a mistake and would result in the postponement of a number of needed projects.

Question. Can you give me an alternative recommendation to cut $13,492,000 in FY 1989, other than from amounts added by Congress?

Answer. We have concluded that the action proposed in the supplemental is the only viable alternative. The only programs within this same appropriation that are large enough to absorb such a reduction are the three grants to States programs under JTPA which include the Block Grant, the Summer Youth Employment and Training Program and the Dislocated Worker Program. Since these programs are already reduced below the 1988 levels because of the across the board Congressional cut, further reductions would be unacceptable.

Question. This is the second year in a row the Administration has opposed opening new Job Corps centers, and then tried to divert the funds once Congress made the appropriation. How many times will Congress have to act before you accept its' judgement?

Answer. It is not our intention to subvert the Congress' wishes by forestalling the opening of the centers. However, because of across the board reductions, neither the 1988 nor the 1989 appropriation provided sufficient funding to operate the program at full capacity and construct all of the new centers Congress specified.

Question. Will you work within the Administration to gain approval for six new Job Corps centers?

Answer. Funding of the remaining two Job Corps centers will be considered in the 1991 budget process.

DISLOCATED WORKER ASSISTANCE

Question. You are requesting $400 million for the new dislocated worker assistance program, even though the legislation authorizes $980 million. How did you arrive at the conclusion that $400 million is sufficient to implement the Economic Dislocation and Worker Adjustment Assistance Act?

Answer. We believe that $400 million is the maximum amount that can be provided in view of the imperative to reduce the deficit. While this is less than our original planning estimates, we believe that it will be sufficient to support a significant and comprehensive program.

This is not the only source of funds available to address worker dislocation. Trade Adjustment Assistance (TAA) is available to workers who lose their jobs as a result of increased imports. When the TAA resources are added to the EDWAA request, the total available to address this problem is $684 million. This is almost 50% more than is currently available for these two programs.

JOB CORPS/INSPECTOR GENERAL FINDINGS

Question. Recent Inspector General reports indicate that there may be significant error rates in Job Corps' statistics related to the placement of program participants. To classify "cannot locates" as self placements may materially affect Job Corps' placement results. In addition, other information indicated that many individuals are not taking jobs in the occupations in which they are being trained and there are some questions about what should be considered a "valid placement." While we are pleased to note that management has been responsive to the Inspector General's finding and recommendations and has even initiated corrective action before the reports were issued, it is disturbing that this program may not be working as efficiently and effectively as possible. When was the last time the benefit-cost ratio of the Job Corps program was evaluated?

Answer. A formal cost-benefit study of the Job Corps program was conducted in the late 1970's, with the final report being issued in 1980. This study was conducted by an independent research firm and concluded that the public benefits that result from Job Corps exceed program expenditures by 45%. The public benefits were identified in terms of increased taxes paid by program enrollees as a result of higher earnings, as well as reduced dependence on public assistance and lower rates of incarceration. The findings were based on the experiences of program enrollees as compared to a control group of young people from similar backgrounds who did not take part in Job Corps. Our 1990 budget request for research and evaluation includes funding

for another in-depth longitudinal study that should yield reliable information as to the current cost-benefit ratio of the Job Corps program.

Question. Given that some of the problems identified seem to be related to accuracy and adequacy of data as well as the need for closer monitoring of the Job Corps centers, does your FY 1990 budget include any funds for these purposes?

Answer. Most of the problems outlined by the Inspector General are being remedied through improvements in administrative procedures. However, our 1990 request does provide 12 additional federal staff positions for ETA's Office of Job Corps. Four of these positions are needed to assist with the opening of new Job Corps centers, while the remaining eight will be devoted to improving oversight and monitoring of our Job Corps centers and enrollee recruitment and job placement activities.

NON-RESIDENTIAL ENROLLEES

Question. Your Job Corps budget includes a cut of $8 million, on the assumption authorizing legislation will be enacted to raise the permissible level of non-residential enrolles from 10 to 20 percent. Have the authorizing Committees given you reason to believe such legislation will be enacted?

Answer. Since this proposal would facilitate a higher level of enrollment by young women, especially those with child care responsibilities, and would also reduce operating costs by $8 million per year, we foresee no problem with the authorizing committees in passing this legislation.

Question. How do you justify submitting a budget that is $8 million short of maintaining current law requirements?

Answer. Our budget presentation clearly highlights the assumption upon which the $8 million savings is based. We foresee no problems with the authorizing committees to achieve the necessary changes in the statute.

Question. If we approve your budget, and the law is not changed, wouldn't you face the possibility of having to cut back on Job Corps enrollees or close centers?

Answer. If the law is not changed to increase the non-residential capacity from 10% to 20%, there would be an $8 million budgetary shortfall that could be addressed either through a supplemental appropriation or a reduction in enrollment levels at existing centers. We believe it will not be necessary to close any centers.

CONVERTING JOB CORPS CIVILIAN CONSERVATION CENTERS

Question. For several years, Congress has rejected your proposal to contract out the 30 Civilian Conservation Centers now operated by the Departments of Agriculture and Interior personnel. What is different about this year's proposal?

Answer. It is more practical from a logistical standpoint in that the contracting out would be staggered over a three year period and would result in savings in this time of budgetary constraints.

Question. Instead of proposing to fire the existing Federal employees, couldn't you agree to protecting the jobs and salary levels of current employees, and replacing them through attrition?

Answer. As part of contracting out for the operation of a Civilian Conservation Center, all of the federal positions at the center would be eliminated. It is likely that the majority of the current federal staff would be offered employment at competitive rates by the contractor. However, these individuals would no longer have status as federal employees. They would be employees of the contractor.

Question. What assurances are there that the quality would not deteriorate by accepting the lowest bidder?

Answer. We do not propose to base the award of Job Corps center contracts on low cost. Out of a possible 100 proposal rating points, only 10 are assigned to cost. Moreover, the 10 points for cost are not awarded for low cost, but for reasonableness of cost. To illustrate, if a proposal contains salary costs that are too low to attract and retain qualified staff, that proposal would receive fewer points in the cost area than a competing proposal that reflects a higher but more reasonable pay scale. The remaining 90 points are issued for technical merit and quality of past performance exhibited by the offerors. Quality of program operations and services is the pre-eminent consideration in selecting the contractors and in our subsequent review and oversight of the contractors performance.

Question. Provide for the record a State-by-State list of the existing Civilian Conservation Centers.

Answer. The information follows:

JOB CORPS CIVILIAN CONSERVATION CENTERS BY STATE

STATE	CENTER	SLOTS	OPERATOR
ARKANSAS	CASS	224	USDA
ARKANSAS	OUACHITA	187	USDA
COLORADO	COLLBRAN	200	USDI
IDAHO	MARSING	200	USDI
ILLINOIS	GOLCONDA	230	USDA
KENTUCKY	FRENCHBURG	168	USDA
KENTUCKY	GREAT ONYX	214	USDI
KENTUCKY	PINE KNOT	224	USDA
MISSOURI	MINGO	224	USDI
MONTANA	ANACONDA	224	USDA
MONTANA	TRAPPER CREEK	224	USDA
NO CAROLINA	LYNDON B JOHNSON	205	USDA
NO CAROLINA	OCONALUFTEE	210	USDI

NO CAROLINA	SCHENCK	224	USDA
NEBRASKA	PINE RIDGE	224	USDA
NEW YORK	GATEWAY	200	USDI
NEW YORK	IROQUOIS	168	USDI
OKLAHOMA	TREASURE LAKE	224	USDI
OREGON	ANGELL	208	USDA
OREGON	TIMBER LAKE	234	USDA
OREGON	WOLF CREEK	231	USDA
SO DAKOTA	BOXELDER	208	USDA
TENNESSEE	JACOBS CREEK	224	USDA
UTAH	WEBER BASIN	224	USDI
VIRGINIA	FLATWOODS	224	USDA
WASHINGTON	COLUMBIA BAS	225	USDI
WASHINGTON	CURLEW	198	USDA
WASHINGTON	FT SIMCOE	224	USDI
WISCONSIN	BLACKWELL	205	USDA
WEST VIRGINIA	HARPERS FERRY	210	USDI

Total for All 30 Centers..... 6,389

USDA: U.S. DEPT OF AGRICULTURE
USDI: U.S. DEPT OF INTERIOR

ZERO FUNDING FOR TARGETED JOBS TAX CREDIT

Question. Your budget does not recommend any funding to cover the administrative costs of the Targeted Jobs Tax Credit program. Are you recommending that the law be allowed to expire after December 1989, or that the Employment Service be forced to absorb these costs?

Answer. The Bush budget calls for not extending the TJTC beyond its scheduled expiration date of December 31, 1989. We are recommending that States use Employment Service ES Allotment to States funds to continue Targeted Jobs Tax Credit program activities. Beginning July 1, 1989, States will be receiving their Program Year 1989 ES Allotments to States, which in the aggregate are $25.7 million above the program Year 1988 level.

Question. Congress, as you know, only appropriated funds for the first half of fiscal 1989, since renewed authorizing legislation had not been enacted at the time the appropriation bill was considered. What actions are States taking, in the absence of funding for the last six months of fiscal 1989?

Answer. We are recommending that States fund this activity through federally allocated Wagner-Peyser funds because TJTC activities are very similar to the types of placement and referral activities performed daily by the public employment service. Beginning July 1, 1989, States will receive their Program Year 1989 E.S. Allotments to States which in the aggregate are $25.7 million above this year's level. States can also assess an employer user fee for this service or use alternative State revenues.

Question. How much supplemental funding is needed to avoid disruption in the Targeted Jobs Tax Credit program for the balance of fiscal 1989?

Answer. We do not believe supplemental funds are necessary because available Wagner-Peyser funds should be sufficient to enable States to continue program activities.

EMPLOYMENT SERVICE OFFICE CLOSINGS

Question. Once again, you are proposing to cut funding for State Employment Service Offices by $80 million below the fiscal 1989 level. With mandatory costs going up, this can only result in further office closings and staff layoffs. In my State of Iowa, for example, 103 of 899 employees would face loss of their jobs. What is your rationale for forcing cutbacks of local employment offices, which are especially devastating to rural areas? Does it make sense to keep cutting back on employment service offices when there is a billion dollars surplus of employer tax collections which can only be used for this purpose?

Answer. ES funds are allocated to the States, in accord with the law, on the basis of demographic data such as unemployed and the civilian labor force. States themselves determine the number and location of offices to be maintained and the number of staff to be funded. They also determine how programs such as the Economic Dislocation and Workers Adjustment Assistance (EDWAA) will be staffed and its services delivered. State efficiencies, improved economic conditions and the newly enacted EDWAA and JOBS programs will also provide opportunities for intensified program linkages and coordination with the ES. States may be expected to adjust their ES services priorities in keeping with these developments and emerging labor market trends and needs.

With regards to tax collections, I think the answer has two aspects: one, the very low workloads the States are experiencing, and two, our previous experience with borrowing for administrative purposes in times of high unemployment. We do not consider the excess balance in the administrative account a surplus, but a prudent hedge against a future need to borrow. Unemployment has been declining steadily since 1984. The amount of benefits paid declined to just over $13 billion in 1988, compared to over $29 billion in 1983. Such reductions in workload for the States carry with them related reductions in administrative grants.

We believe it is wise to allow reserves to build up in the Federal accounts when the economy is strong. This means that the Unemployment Trust Fund does not need to borrow from the general fund when unemployment is high. In 1984, for example, the Fund was forced to borrow from the general fund for administrative costs -- $124 million -- as a result of the 1981-82 recession.

EMPLOYMENT SERVICE CUTBACKS

Question. Since 1982, funding for the Employment Service has remained steady, and when adjusted for inflation, a significant decline has occurred. Have Employment Service cutbacks made it more difficult to serve applicants who have barriers to employment, such as older workers, dropouts, and the economically disadvantaged?

Answer. Actually, funding for the Employment Service has grown since 1982, even when adjusted for inflation. Outlays for

the Employment Service (including the Veterans Employment Service, which is included in the FY 1982 amount) grew from $709 million in FY 1982 to $937 million in FY 1988, an increase of 32 percent over the six years. The FY 1988 level after adjusting for inflation is 9.4 percent greater than a no growth budget would have been. This amounts to an increase of 1.5 percent per year above the level of inflation during the six year period.

We have not been apprised of any difficulties nor have we observed such problems. States have broad latitude to determine employment service activities and staffing levels in response to the needs of target groups in their areas. Additionally, the Employment Service is expected to coordinate with other deliverers of employment and training services to assure that the special needs of such groups are being addressed.

Question. How have changes in resources affected the number of local Employment Service offices and the number of staff over the past 5 years?

Answer. The Department does not collect information regarding the number of offices and staff which are funded by the States. The intent of decentralization, introduced with the 1982 amendments to the Wagner-Peyser Act, is to permit States to manage their resources in a manner that best addresses local labor market conditions. States themselves determine the number and location of offices to be maintained and the number of staff to be funded.

COUNCIL ON COMPETITIVENESS

Question. The Council on Competitiveness has recommended that Job Training Partnership Act programs give more weight to basic literacy and education. It also recommends a quick phase-in to full funding of the new dislocated worker program. Further, it recommends updating Employment Service information systems. What are the cost implications of developing a nationwide, integrated information system for the Employment Service?

Answer. Federal and State staff are discussing reporting measures that more accurately describe employment service activities on a national scale. We have not progressed sufficiently to consider the cost implications.

PIGGY-BACKING SUBSIDIES

Question. While the GAO has indicated some employers are getting excessive subsidies from on-the-job training contracts, a recent study of the Targeted Jobs Tax Credit program also shows some employers are getting windfall subsidies under that program, as well. Is it possible the same employer could take advantage of both these programs, getting 50 percent wage subsidies under an on-the-job training contract, and then getting a 40 percent tax credit for the same employee?

Answer. No. While it is permissible for an employer to take advantage of both programs, it may not be done concurrently. The period of time for which tax subsidies may be received under the TJTC program must be reduced by the period covered by JTPA OJT. It would, therefore, not be possible for an employer to get a 50

percent OJT wage subsidy and a 40 percent tax credit for the same employee.

TARGETED JOBS TAX CREDIT

Question. The Targeted Jobs Tax Credit (TJTC), administered through the Employment Service, was extended through December 31, 1989 despite considerable controversy over its actual benefits. Costs of the program in terms of revenue loss are estimated to be about $300 million annually. However, the Congressional Budget Office and GAO estimated that only a small portion of the eligible population find jobs because of the program. To what extent does the Department of Labor monitor the use of the Targeted Jobs Tax Credit program by specific employers?

Answer. The Department of Labor does not monitor employers who use the program. Since the program provides a tax offset, the Internal Revenue Service would have the means to monitor employers who actually file for the tax credit.

Question. Does the Department of Labor or local Employment Service offices match Targeted Jobs Tax Credit employer lists with employers receiving on-the-job training subsidies from other programs such as JTPA?

Answer. Neither the Department of Labor nor local employment service offices maintain lists of TJTC employers matched with those who receive OJT subsidies.

STATE EMPLOYMENT SERVICE ALLOCATIONS

Question. The National Governors' Conference has proposed that no state should get less than 80% back for Employment Service operations than what it pays in taxes. My home state of Iowa, for instance, currently gets back only 50 cents on the dollar from Federal taxation for State Employment Service operations. What is the Department's position on the Governors' legislative proposal on Employment Service financing?

Answer. We are pleased that the National Governors' Association (NGA) is taking up the discussion of Employment Service and Unemployment Insurance, especially since we seem headed toward a period when maximum utilization of resources will be required to meet employer job needs and to reduce unemployment. The Department commented to Governor Celeste in July 1988 (a copy of the letter follows) on the statement as passed at the winter meeting. Since that time ETA/UIS staff have worked with NGA staff as it refined its proposal. While we agree on some points in the statement regarding provision of more administrative flexibility to the States, we cannot agree with the underlying resource changes which assume automatic increased appropriations with no consideration of workload fluctuations. The NGA should be coming forward shortly with its more detailed legislative proposal to implement the policy. We will be reviewing the proposal at that time and providing specific comments.

UNEMPLOYMENT COMPENSATION

Question. The Budget Reconciliation Act of 1987 raised the ceilings of the Federal Unemployment Account (0.625) and the Extended Unemployment Compensation Account (0.375) as a percent of total wages covered under State laws. Are these accounts expected to exceed their ceilings? How would the excess amounts from these accounts be distributed to the States?

Answer. We expect the Extended Unemployment Compensation Account to reach its ceiling in 1990 and each year thereafter. Excess funds in the Employment Security Administration account will then overflow into the Federal Unemployment Account (FUA). Through 1994 we do not expect the FUA to reach its ceiling. Only if all three of these accounts exceed their ceilings would a distribution be made to States. This distribution would be made in accordance with Section 903(b)(2)(B) of the Social Security Act (SSA). This section of the SSA provides that distributions be made on a pro rata basis among States using the amount of taxable wages in each State as compared to total taxable wages in all States.

UNEMPLOYMENT COMPENSATION RESEARCH

Question. Budget documents state that the Unemployment Insurance Service's major goal is to focus on exploring potential policy issues confronting the UC program and continuing to improve basic oversight systems of the program. The FY'90 budget, however, proposes a reduction of $2,356,000 in UC Research and Training funds. How would this proposed reduction in funds for research hamper the department's efforts to improve the effectiveness of the program?

Answer. The Department is proposing a budget reduction in this area as part of our contribution toward efforts to reduce the Federal budget deficit. In developing our budget needs we felt that this area would suffer the least impact of a reduction. There are two reasons for this. One is that JTPA research funds are also available for research projects which address major policy issues which have implications for UI program policies. The other reason is that several major UI research studies are already underway or are near completion. Thus, we have a period of implementation and/or evaluation of research results for which we do not require funding. This reduction should in no way be seen as an abandonment of research for the UI program. We fully understand the far-reaching impact of the UI program on the American economy and the well-being of Americans.

ERISA INFORMATION SYSTEM

Question. Labor is requesting over $6.4 million for implementation of the Employee Retirement Security Act (ERISA) information system. Previously, the Office of Inspector General has discussed continued weaknesses in the Pension and Welfare Benefits Administration's management of this project and in the paperwork documenting the development of this system. Have all of the Inspector General's requests for systems documentation and justification been satisfied?

Answer. PWBA has provided all of the documentation requested by the Inspector General as it has become available. At this point documentation which addresses all of the issues which have been raised by the Inspector General has been provided. The Office of the Inspector General ceased conducting field work on the audit of the system development in June, 1988. At the point at which the final report was issued the majority of the recommendations contained in it had been closed. PWBA staff are currently working with the OIC to close the remaining issues as the developmental work is completed.

Question. Please explain how the new system is going to better meet the needs of its users.

Answer. The new system will better meet the needs of its users by providing complete, accurate and reliable information on pensions plans to PWBA's enforcement, policy and research staff. The availability of this data in an automated system is necessary for PWBA to effectively select plans for investigation and enforcement action since PWBA has only approximately 200 investigators to cover the over 90,000 plans which file annual reports each year. Comprehensive data is also required for the conduct of policy analysis and research.

Question. Why does PWBA need data on private pensions sooner than that provided by the existing systems?

Answer. The existing system automates only about 50% of the data contained on the annual reports filed by plans. In addition, this data is not edited for accuracy and does not become available to PWBA until up to two years following the plan year for which the report is filed. All of these problems with the data severely limit its utility for enforcement or research purposes. The new system is designed to rectify these deficiencies which will greatly enhance PWBA's ability to protect the retirement benefits of the nearly 60 million participants in ERISA covered plans.

Question. Considering the past problems that Labor has had in procuring new automated information systems, does PWBA staff possess the technical capability to adequately monitor and evaluate the contractor's activities in developing this new system?

Answer. Yes. PWBA technical staff have been operating the existing system for a number of years. As a result, they have adequate experience and technical skills to monitor the development of the new system. The major changes in the system will be in the data entry and edit components which are being developed and will be operated by the IRS. This does not require any significant technical oversight by PWBA. In addition, PWBA is obtaining technical assistance from outside contractors in connection with the review of contractor work on the development and implementation of the system.

The past problems in the Department of Labor did not involve PWBA. These have been addressed through the development of an extensive set of departmental oversight and review requirements for any system development. PWBA has complied with these

requirements and received the necessary approvals throughout the developmental work. This should prevent any recurrence of the previous problems.

LEVERAGED BUYOUTS, MERGERS, AND ACQUISITIONS

Question. An AFL-CIO official has stated 90,000 union jobs have been lost "because of mergers, takeovers, and leveraged buyouts". What is the Labor Department doing to monitor the role that pension plans are playing in leveraged buyouts and other mergers and acquisitions?

Answer. The Department of Labor (the Department) has responsibility for the administration and enforcement of Title I of the Employee Retirement Income Security Act of 1974 (ERISA), governing the regulation of private employee benefit plans. This responsibility has been delegated to the Pension and Welfare Benefits Administration (PWBA). ERISA fiduciaries of plans participating in leveraged buyouts and corporate takeover activity either directly, as institutional investors, or indirectly, as affected entities must ensure that their actions are consistent with ERISA's fiduciary responsibility requirements.

In keeping with our mission to vigorously enforce ERISA's fiduciary provisions in order to protect participants' rights, the Department, over the years, has focused a significant amount of our limited resources on monitoring transactions involving the use of pension assets in corporate takeover situations, and has undertaken a number of actions to ensure compliance with ERISA. PWBA has been involved in situations where plan fiduciaries have improperly used employee benefit plan assets as an offensive or defensive tool in the purchase or sale of securities either to advance the objectives of an acquirer or to defend against the acquisition. In addition, in the corporate governance area, PWBA has been involved in issues that relate to the voting of proxies in shareholder proxy contests. In various instances, the Department has taken action by filing a civil complaint in federal district court alleging that the actions by fiduciaries breached the fiduciary provisions of ERISA, by participating in private civil litigation to express the Department's views to the court, or by expressing the Department's views in letters to fiduciaries thus alerting them to Departmental concerns in a particular circumstance. The Department also has initiated a set of research studies to examine the extent to which takeover activity is related to the restructuring of existing pension plans or of new plans.

The Department will continue to monitor the role that pension plans are playing in leveraged buyouts and other corporate takeover activities and to determine what, if any, additional actions or recommendations may be appropriate.

Question. What is your assessment of the impact of leveraged buyouts and mergers on the pensions of workers?

Answer. The interest in leveraged buyout activity and pension fund participation in that activity is a relatively recent phenomenon and there has not been a lot of study

conducted in this area to date. We are currently unaware of significant abuses occurring in this area. We are monitoring the situation, and if we think that plans are in jeopardy, then we will seek more information or take other action as appropriate.

Although some pension plans have participated in takeover and leveraged buyout transactions as investors, our information about the degree of their participation is somewhat limited. We do know that less than 2 percent of the total assets held by noninsured private pension plans and state and local pension plans are invested in high yield, non-investment grade bonds (so called "junk bonds"). In addition, the promises of insured group plans are backed by insurance company reserves. Allocating high yield bonds held as insurance company reserves on a pro-rata basis to group insured pension plans, we estimate 3.8 percent of the assets that back the promises of group insured plans are held in high yield bonds. Group insured plans do not include individual annuities purchased for retirees by either on-going insured plans or terminated pension plans. If the direct holdings of high yield bonds of noninsured plans are added to the indirect holdings of group insured plans, less than 2.5 percent of the total $2.0 billion in state/local and private plan assets are invested in junk bonds.

The date on pension plan investments in leveraged buyout funds are still very sketchy. It appears that the 200 largest private and state/local plans hold roughly $3.5 billion in leveraged buyout funds and that two-thirds of these investments in 1988 were held by state and local governmental plans. Estimates of total pension investments in leveraged buyout partnerships and leveraged buyout commitments range from somewhat under $4.0 billion to almost $12 billion. PWBA does not believe that either the low estimate of under $4.0 billion or the high estimate of $12 billion is reliable. The actual amount of pension funds involved directly in leveraged buyouts is probably reasonably close to the bottom end of the range. We know of no individual private defined benefit plan that has a significant portion of its assets in either high-yield bonds or leveraged buyout funds.

ERISA allows plan fiduciaries the greatest degree of discretion in structuring investments of their plans, provided that they are economically prudent for the plan. From the evidence we have been able to gather, this structure appears to be working well, especially given the size of plan investments in leveraged buyout funds and junk bonds in comparison to total plan assets. We recognize that these types of investment vehicles have burgeoned in the last few years and that they have not been tested by a full business cycle. We will continue to monitor the situation.

BLACK LUNG DISABILITY TRUST FUND

Question. What is the extent of the reduction in black lung claims adjudications that prompts the substantial decrease in administrative costs (both for fiscal year 1989 and 1990)? Do factors other than the backlog reduction play a part? Have you reached an "acceptable" level of backlogged claims?

Answer. The inventory of cases pending at the Office of Administrative Law Judges (OALJ) at the end of fiscal year 1988 was approximately one-third the level pending three years earlier. Within the Employment Standards Administration, incoming claims throughout the Black Lung Program are expected to have declined by 14 percent between FY 1986 and FY 1990. The total number of program beneficiaries is projected to be 18 percent fewer, and the number of referrals to the OALJ will have declined by 38 percent since FY 1985. As a result, there is less claims intake work, fewer active beneficiaries to serve, and lower appeals workloads.

In fiscal year 1988, 98 percent of all incoming claims received a first administrative decision within 180 days of our receipt of the claim. We believe that this is an "acceptable" turnaround time and reflects the absence of any backlog in initial claims processing.

Question. What is your most recent estimate of when the Trust Fund will cease requiring even minimal Treasury loans to fund black lung benefit and administrative costs? If this is to occur in the near future, to what extent will it be due to: (1) increased coal tax revenues, (2) increased payments by responsible coal mine operators, or (3) decreased benefit expenses?

Answer. Because of the September 30, 1990, expiration of the five year moratorium on interest charges to the Black Lung Disability Trust Fund enacted in the Consolidated Omnibus Budget Reconciliation Act of 1986, we do not anticipate any time in the near future when advances to the Trust Fund will not be needed. Interest charges of approximately $330 million annually are scheduled to resume in fiscal year 1991. Our current projections show a combination of increasing excise tax revenues and decreasing benefit payments first making possible the elimination of the need for further advances in fiscal year 2008.

Question. To what degree will the recent U.S. Supreme Court decision in the Pittston Coal Co. v. Sebben case affect the Trust Fund costs projected in your budget? If the Supreme Court's finding in this case were expanded, by law, to cover all potential cases (including those that were not appealed), what might be the potential costs?

Answer. Because the effect of the Supreme Court's December 1988 decision in Pittston Coal Group v. Sebben was limited to a rather small group of cases still in active litigation, we do not anticipate that its implementation will have any material affect upon the costs projected in the fiscal year 1990 request. If, however, legislation were enacted extending the Sebben ruling to all previously denied claims, we estimate that approximately 95,000 cases would have to be re-opened. Estimating the possible approval rate is extremely difficult because over 80 percent of the affected case files have been retired to the Federal Records Center. However, based on the available data reflecting the reasons for the previous denials, we estimate that between 5 percent and 15 percent of the cases might be approved on re-review. Depending on the assumptions used as to the amounts of accumulated back benefits and the expected longevity of the new beneficiaries, the total estimated lifetime costs of these new entitlements would be in the $700 million to $3 billion range. Approximately 90% of these costs would

be borne by the Trust Fund rather than the coal and insurance industries directly. Because many of the approved claims would include significant entitlement to retroactive benefits, perhaps as much as one-third of the total lifetime cost of these claims would be payable upon initial approval. We estimate that approximately 400 staff years would be required to retrieve, review and re-adjudicate the 95,000 affected cases.

Question. Although overall black lung benefit costs appear to be holding steady, if not declining, can the same be said of the medical cost portion of these expenses?

Answer: Medical costs have been a relatively volatile part of total black lung benefit expenditures over the past decade. Those costs rose steadily through fiscal year 1984, then appeared to stabilize and decline somewhat in fiscal years 1985 and 1986, largely due to new controls implemented in the durable medical equipment home oxygen care areas. The upward trend resumed in fiscal year 1987, leveled off somewhat in fiscal year 1988 and appears to be rising again in the first five months of fiscal year 1989. We attribute this latest rise in medical care costs largely to cost shifting efforts by other medical care payment systems, primarily Medicare and Medicaid. We project that medical care costs will begin to decline again in FY 1990 as attrition in the number of eligible beneficiaries offsets the increases in medical costs and the process of cost shifting is essentially completed by Medicare and Medicaid having successfully identified all black lung eligible co-beneficiaries.

Question. What would be the Administration's reaction to conforming black lung benefit checks issued under "Part C" (e.g., Trust Fund benefits) to those issued under "Part B" (i.e., paid by the Social Security Administration)? As you know, the only difference is that Part B benefits are rounded down to the nearest whole dollar. What would be the dollar savings involved if Part C benefits also were rounded down?

Answer. We project that Black Lung Disability Trust Fund benefit expenditures would be reduced by less than a half million dollars annually if legislation were enacted to implement the rounding down to the nearest whole dollar for monthly disability and survivor's benefit checks. In its fiscal year 1988 budget request, the Department recommended that the Congress take such action for Part C of the program administered by the Department of Labor in order to make the benefits uniform with changes implemented for Part B benefits administered by the Social Security Administration. Although the Congress took no action on that proposal at that time, we continue to believe that the beneficiaries served by the two agencies should receive identical levels of monthly benefits.

BLACK LUNG

Question. President Reagan's budget only requested funds to cover a two (2) percent increase in black lung payments, much less than the expected rate of inflation. What adjustments does President Bush make in funding requested for FY 1990 black lung payments?

Answer. The Black Lung Benefits Act links benefit levels to the federal pay scale (the basic benefit is 37.5 percent of the GS-2 step 1 salary). We do not believe that this linkage between the federal pay scale and the black lung benefit formula should be changed. If a 1990 Budget is enacted which contains a federal pay raise larger than two (2) percent, black lung benefit rates would increase accordingly. Each additional percent of increase in the federal pay scale would increase the Trust Fund's benefit expenditures by approximately $4 million (assuming the pay raise were effective October 1, 1989). Thus, enactment of a Federal pay raise significantly in excess of two (2) percent might necessitate submission of a supplemental budget request in order for the Trust Fund to have available sufficient funds to meet its benefit obligations.

HOMEWORKER ENFORCEMENT

Question. You are requesting 30 additional staff for Homeworker Enforcement, in response to relaxation of regulations with respect to employment of industrial homeworker. How many homework investigations do you expect to accomplish in FY 1990, compared to FY 1989?

Answer. Wage and Hour expects to complete 2,350 homeworker investigations in FY 1990 compared to 1,150 in FY 1989, an increase of 1,200 investigations.

Question. Are you convinced this will give you sufficient enforcement staff to prevent exploitation of workers in "sweatshop" conditions?

Answer. This level of resources should be sufficient in FY 1989 and FY 1990 to investigate all newly certified employers; to investigate the entire universe of certified employers on a regular (three to four year) cycle; and to investigate more frequently those employers found in violation. Enforcement resources will also be available for a directed enforcement program to investigate homework employers who may be operating illegally.

OSHA PENALTIES

Question. Since 1970 when the Occupational Safety and Health Act was enacted, inflation has eroded penalties for violations to less than one-third of their original value. Do you support legislation to update OSHA penalties to account for inflation?

Answer. The Department of Labor has not yet taken a position on this issue. During the coming months, we expect to review and provide comments, as appropriate, on legislative initiatives including any that provide increased penalties for violations of job safety and health standards.

Question. Don't we have an obligation to honest businesses, which make the substantial investments often necessary for a safe workplace, to insure their competitors cannot exploit weakened sanctions?

Answer. We believe that the current penalty structure, as modified by the procedures adopted by OSHA in March 1986, provides a sufficient incentive for compliance with OSHA standards. The March 1986 procedures permit the assessment of penalties for each instance of a serious, willful, or repeated violation of a standard by an employer. Since 1986, OSHA has issued citations to more than 60 businesses for egregious, willful violations. In some of these instances, the proposed penalties have ranged high as $4.3 million.

OSHA NEW DIRECTIONS GRANTS

Question. The New Directions program, established in 1978, has been OSHA's primary vehicle for supporting worker education and training programs through its grants to nonprofit labor and employer organizations. Since 1981 funding for the program has declined from $13.9 million (142 grants) to $2.1 million (28 grants) in fiscal year 1988. The Department of Labor has proposed decreasing funding for fiscal year 1990 by $475,000 (to $1.6 million), which would provide continued funding for 20 grants awarded in previous years. The decrease is described as reflecting the self-sufficiency attained by previously funded organizations that are expected to receive grant support for only 3 to 5 years. But it also reflects awarding no new grants to organizations. Do you intend to continue this program by awarding new grants or to abolish it as the current grantees are deemed to be no longer in need of support?

Answer. The $1.6 million requested for New Directions grants in fiscal year 1990 represents the level of funding needed to sustain current grantees. Additional funds would be required to support new organizations in fiscal year 1990. Although current budgetary constraints preclude increasing the program at this time, no decision has been made about the future of the program.

Question. Other than the New Directions program, what programs does OSHA have planned or ongoing to support increased education and training for workers regarding workplace hazards and their abatement?

Answer. OSHA has a number of education and training efforts designed to support education and training for workers. The OSHA Training Institute offers courses that are specifically designed for private sector personnel. In addition, members of the public may enroll, on a space available basis, in all technical courses. Special sessions of courses are provided to joint labor/management groups. Training courses, programs, and audiovisual materials are provided to OSHA area offices for training outreach to workers. Materials are also available for sale to the public by the National Audiovisual Center.

OSHA administers a Train-the-Trainer program enabling certified private sector instructors to conduct approved courses in safety and health. Instructors participating in this outreach program are required to attend updated courses at least once every three years to maintain their certification. Since 1985, OSHA has authorized state onsite consultation projects to provide training to employees as well as employer representatives, when such training is requested by an employer. OSHA requires employers to provide training as a condition of participation in the Voluntary

Protection Programs (VPP) and the inspection exemption program which is part of the on-site consultation program.

OSHA recently published voluntary Safety and Health Management Guidelines which encourage employers to provide training to ensure that employees understand the hazards to which they may be exposed and how to prevent injuries and illnesses.

The Hazard Communication Standard specifies the employer's duty to inform employees about workplace chemical hazards and to provide training that will enable them to avoid work-related injuries or illnesses. A number of other standards also contain training requirements.

OSHA RECORDKEEPING VIOLATIONS

Question. GAO recommended in December 1988 that OSHA adopt procedures that would allow it to be more effective in detecting recordkeeping violations as part of its ongoing enforcement activities. OSHA concurred with this recommendation and announced its intention to adopt more systematic and consistent procedures for interviewing workers and others regarding injuries and illnesses. What progress has OSHA made in developing and promulgating improved procedures for detecting recordkeeping errors?

Answer. OSHA has adopted three of the four major procedures used in the 1987 OSHA/BLS recordkeeping audit program as standard operating procedure for all OSHA inspections in the manufacturing sector. These three procedures include interviewing the designated recordkeeper regarding the manner in which injuries are recorded; questioning the recordkeeper about the definitions, concepts and interpretations associated with recordkeeping; and interviewing employees to determine worker awareness of injury/illness records and to obtain supplemental and unreported information about illnesses and injuries.

OSHA will also periodically repeat the recordkeeping audit program for comparison with the benchmark 1987 audit. The next study will be conducted after sufficient time has elapsed for the new procedures to result in improved recordkeeping by employers, and for OSHA and BLS to complete the restructuring of the OSHA annual survey. These improvements will be measured in the periodic audits.

FTE REDUCTION

Question. You are recommending a reduction of 12 Federal OSHA inspectors, the exact amount added by Congress last year. At the same time, you recommend freezing the number of State OSHA inspectors at the level that has existed the last two years, which will result in 2,300 fewer inspections in 1990 compared to 1989. What is the rationale for reducing OSHA enforcement activities?

Answer. In FY 1989, Congress added 12 FTE, 9 of which were for compliance officers, and $1,000,000 for enforcement above the Administration's request. By imposing a 1.2 percent across-the-board reduction on OSHA's budget, Congress, in effect, eliminated the funding for these extra FTE. As a result, the 1989 level is

consistent with the Administration's request in 1989 and the 1990 budget request continues that level.

STATE INSPECTIONS

Question. How much would it take to restore State OSHA inspections to the FY 1989 level?

Answer. Consistent with the Department's decision not to continue Congressional increases into FY 1990, the net increase of $1,150,000 authorized by Congress over the Administration's FY 1989 request was recommmended for reduction. Retention of these funds in FY 1990 would enable the states to maintain FY 1989 inspection levels.

Question. How much did the States request for FY 1990 enforcement activities, compared to your $43,277,000 request?

Answer. The States have not yet formally requested funds for FY 1990. However, the agency did receive a survey in May 1988, generated by the Occupational Safety and Health State Plan Association, of state grant cost of living increases. While the information for FY 1990 was incomplete for all states, projected increases by state ranged from three to nine percent.

RESUMPTION OF THE CALIFORNIA STATE PLAN

Question. What will be the budgetary impact of California's decision to resume private sector enforcement of its occupational safety and health program?

Answer. OSHA's FY 1990 budget proposal does not contain funds earmarked to support a private sector state grant program in California. A review of the various options for funding state plan enforcement in California is currently underway. The budgetary impact of Cal-OSHA's resumption of private sector enforcement will be shared with Congress once final proposals are formulated.

OSHA SMALL FARM EXEMPTION

Question. For many years, appropriations bill language has exempted small farming operations (with ten or fewer employees) from OSHA coverage. The President's Budget recommends deleting this exemption, which would have the effect of adding more than a million farm workers under OSHA's protection. What good would it do to delete this bill language proviso, without adding funds for necessary inspection?

Answer. The agricultural sector has the highest lost workday injury rate of any major industry group other than construction; yet the proviso exempts 97 percent of the nation's farms and 56 percent of all farm workers from the protection of the Occupational Safety and Health Act. By deleting the proviso, OSHA would be able to investigate farmworker fatalities, respond to employees' reports of serious hazards and imminent danger, and include farm workers in the coverage of OSHA standards as they are developed. OSHA could use the findings from accident investigations to notify the agricultural community of potential dangers and, as appropriate,

could develop standards to prevent fatalities similar to those it had investigated from recurring.

OSHA believes that the proviso precludes the agency not only from enforcement activities, but also from providing consultation and training assistance for farm operations with 10 or fewer employees. Thus, in spite of the highly hazardous nature of farm work, more than one million persons employed on small farms are excluded from the protection of the Occupational Safety and Health Act. Workers employed on small farms should have the full benefit of all of OSHA's programs, as do workers employed on large farms or in other industries.

Additional funds would not be needed to conduct the catastrophe, and complaint inspections anticipated. OSHA does not conduct routine programmed inspections in any sector in workplaces with 10 or fewer employees. Thus, if the proviso were deleted, farms with 10 or fewer employees would, like small establishments in other sectors, not be scheduled for programmed inspection. Thus, no additional funds would be required.

Question. What would prevent OSHA from unnecessarily harassing small farming operations, many of which are financially hard-pressed?

Answer. OSHA's presence on small farms would be limited because the agency does not conduct routine programmed inspections of workplaces with 10 or fewer employees in any sector. Operators of small farms would be inspected as a general rule in response to fatalities, accidents requiring the hospitalization of five or more employees, or a formal employee complaint. OSHA does not believe it "harasses" any employer. Its objective is to carry out, with the highest standards or professionalism, the responsibilities assigned to it by the Occupational Safety and Health Act.

Question. Aren't there other ways to improve safety, without returning to harsh enforcement activities and onerous monetary penalties?

Answer. OSHA provides a variety of assistance and training programs for employers and employees. OSHA-funded State consultants offer free consultation service to employers, especially small business employers, upon request. In fiscal year 1988, OSHA conducted 228 consultation visits for farm operators. OSHA's New Directions grant program assists employer and employee organizations in training their constituencies. Since the program was initiated in 1978, OSHA has provided over two million dollars to universities and non-profit organizations to develop training materials and conduct training for farm operators and workers.

Training and assistance alone, however, do not provide workers the protection intended by the Occupatonal Safety and Health Act. To meet this intent, OSHA has developed a balanced mix of assistance, training, and enforcement activities.

BUDGET INCREASES

Question. The budget for OSHA has gone up 3.4 percent while the consumer price index for the past year has gone up 4.2 percent.

Why is OSHA's budget being increased by less than the Consumer Price Index?

Answer. The increases proposed for OSHA in FY 1990 are consistent with the Administration's economic assumptions about the economy, not the Consumer Price Index (CPI). OSHA's budget request reflects the parameters worked out between the Administration and Congress to achieve the deficit reduction targets.

AREAS OF EMPHASIS

Question. What do you anticipate as being OSHA's key areas of emphasis during the Bush administration?

Answer. OSHA will continue to emphasize ways to improve and expedite standards-setting, including the use of innovative approaches such as the recently completed project to update the permissible exposure limits for more than 600 substances. The agency also will initiate several evaluations of the efficacy of certain provisions of existing standards to determine how well they are protecting workers. The agency will also continue the development of generic standards like the Hazard Communication Standard, which applies not to one chemical product, but to hundreds of thousands of such products, and which is as applicable to new technologies as it is to old ones. In addition, OSHA will continue to concentrate inspections in high-hazard industries, will assess penalties for willful violations, and will utilize the settlement process to secure improvements in workplace safety and health beyond those dictated by the citations issued. Also, OSHA intends to improve the quality and timeliness of data on occupational injuries and illnesses through a redesign of the BLS data system. Finally, the Agency will continue offering greater assistance and encouragement to employers and employees to work together to implement effective workplace safety and health programs.

CHANGES TO THE OCCUPATIONAL SAFETY AND HEALTH ACT

Question. There has been some talk about changes in the Occupational Safety and Health Act. What are the areas of greatest weakness in the current Act that might merit examination?

Answer. Areas of apparent weakness in the Occupational Safety and Health Act have proved amenable to administrative remedy. For example, the difficulties inherent in complying expeditiously with the standards-setting requirements of §6(b) of the Act have not proved insurmountable. OSHA has managed to issue revised permissible exposure limits for more than 600 substances in a reasonably short time, and issued a single rule, the Hazard Communication Standard, which addresses the hazards of more than half a million chemical products and will continue to address the hazards or new chemical products as they are introduced into the workplace. This has been accomplished without sacrificing any of the public participation which the Act requires and which is essential to sound rulemaking.

Similarly, OSHA has been able to address the apparent problem of penalty limits established under the Act in 1970. Under procedures adopted in March 1986, OSHA is able to assess penalties for each instance of a serious, willful, or repeated violation of

a standard by an employer, and thus to propose penalties that are meaningful despite inflation.

GENERIC STANDARDS

Question. In the past few years OSHA has gotten away from substance-specific rulemaking in favor of generic or performance-oriented standards. What potential standards are on the list of generic standards?

Answer. Of the various occupational safety and health issues currently under study or proposed for rulemaking, the following health issues are being considered for publication as generic standards: methods of compliance; respiratory protection; medical surveillance programs for employees; exposure monitoring programs; and permissible exposure limit (PEL) updates for construction, maritime, and agriculture. At the same time, we are also working on generic standards for the following safety issues: confined work spaces; personal protective equipment; electrical safety-related work practices; hazardous energy sources; and walking and working surfaces.

USE OF SAFETY AND HEALTH GUIDELINES

Question. You have recently begun the use of guidelines to set interim requirements while permanent standards are being developed, for example, for infectious blood-borne diseases such as AIDS. How widespread is your use of guidelines as a forerunner of rulemaking?

Answer. Because rulemaking takes so much time, requiring public hearings, compliance with the Administrative Procedures Act, and various regulatory limitations under the National Environmental Protection Act, coordination with other federal agencies, and related requirements, guidelines are developed to protect workers on an interim basis. Some examples of the use of guidelines include: methylene chloride; cadmium; blood-borne diseases; hazardous waste sites; and cyto toxic drugs, which can be enforced under the recognized hazards provision of section 5(a)(1) of the Occupational Safety and Health Act.

Question. How much time is consumed by guidelines preparation that is wasted or duplicated, when the process is repeated for preparation of the full standard?

Answer. Little or no time is wasted or duplicated because the guidelines can be used with minor modifications as an advance notice of proposed rulemaking. Actually, this can be a savings of time.

REDESIGN OF THE OCCUPATIONAL SAFETY AND HEALTH STATISTICS PROGRAM

Question. How will the redesign of the Occupational Safety and Health Statistics program help the Occupational Safety and Health Administration to more effectively carry out its program of preventing workplace injuries and illnesses?

Answer. The redesign of the Occupational Safety and Health Statistics program will provide more detailed data in a more timely manner than is now possible, about the types of accidents and

exposures that occur, the nature and source of such incidents, and the extent of work-related illnesses and other health problems. These improvements will enable OSHA to carry out its program more effectively by providing better data to target enforcement actions; identify areas where existing standards are inadequate or inaccurate; and target epidemiological and statistical studies to selected groups of workplaces with occupational health problems.

The Bureau of Labor Statistics (BLS) plans to develop a user-oriented data base that will be directly accessible to OSHA. This will allow OSHA to conduct its own studies of specific problems. More timely reporting will help the agency to anticipate trends and take corrective action before major problems develop.

TRAINING EXEMPTION FOR SAND AND GRAVEL MINES

Question. You are once again proposing that Congress repeal appropriations bill language which exempts sand and gravel mines, among others, from certain worker training requirements of the Mine Safety and Health Act. What would happen if this proviso were deleted?

Answer. If this proviso were deleted, the workers in the currently exempted industries would be assured of receiving the same level of training required by the Mine Act of all other miners. This includes 24 hours of new miner training and eight hours of annual refresher training. MSHA would then begin reviewing operator records during regular inspections to determine compliance.

COST OF TRAINING REQUIREMENTS

Question. How costly would it be for sand and gravel mines to comply with the training requirements imposed on other types of mines?

Answer. Many exempted industries do, even now, provide training to their workers. However, to what extent this training meets the requirements of the Mine Act is not known since MSHA does not currently review training records at these sites. To accurately assess the cost of compliance would require a survey of these operations.

INJURY AND FATALITY STATISTICS

Question. One of the problems in trying to evaluate mine safety is that your agency does not publish an annual release showing injury and fatality rates on a year-by-year basis. Even your budget justification counts fatalities but not fatality rates. This information is not very useful for anyone trying to follow trends in mine safety. What are you doing to rectify this problem and publish more useful statistics?

Answer. MSHA publishes worktime injury/illness data in an effort to keep the mining community informed of accident and illness trends as they may exist in the industry. This information is released to the public through three sources.

Each quarter the Office of Information and Public Affairs issues a press release that contains the accident rates for both coal and metal/nonmetal mining. These releases are based upon data from Technical Support's Mining Information Systems Division located in Denver, Colorado. This information is released to the national media as soon as the data is finalized to ensure that it is both timely and accurate.

The agency also publishes an informational circular on a quarterly basis which contains accident statistics, including statistics down by various criteria to allow an in-depth analysis of the information. This publication often contains preliminary information, and can be obtained by the public at no cost.

Finally, the agency publishes a yearly closeout report of injury experience for each facet of the mining community. These informational reports also contain fatality and accident rates, as well as other pertinent injury data such as the severity measure of accidents, rates for individual mine sizes, etc. This information is also available to the public at no cost.

ILLEGAL MINING

Question. In a recent press release you indicated that you are undertaking a vigorous new program to combat illegal mining - that is, mining that takes place without registration with the Mine Safety and Health Administration. How big is the problem of illegal mining? What proportion of all mines in the United States do you estimate are operating illegally?

Answer. Currently, through efforts at all Coal Mine Safety and Health field locations and the Illegal Mines Task Force, we are in the process of identifying possible illegal mine sites. In three Districts from Virginia and Kentucky, 16 reported sites were investigated. Of the 16 sites, two were falsely reported, four showed no evidence of mining; three resulted in registration with MSHA, three sites had the issue resolved, and investigation of the four remaining sites continues.

As a result of the Task Force efforts, four individuals operating two illegal operations were indicted in January 1989, in U.S. District Court in the Eastern District of Kentucky.

The information gathering process continues to determine the approximate number of illegal mines nationally. At this time, any estimate regarding the proportion of illegal mining activity would be premature. In fact, a realistic estimate may never be attained. However, we believe it to be a very minute percentage, based on current project information.

NUMBER OF MINES

Question. What is the total number of coal and non-coal mines that MSHA inspects now as compared with 10 years ago?

Answer. Following is a comparison of the number of mines MSHA inspects now compared with 10 years ago.

	1979	1989
Coal	5,755	5,083
Metal/Nonmetal	14,341	11,500
Total	20,096	16,583

MANDATORY INSPECTIONS

Question. By law, MSHA is required to inspect underground mines 4 times each year and surface mines twice each year. According to your statistics, you don't actually conduct that many full inspections on each type of mine. Why not?

Answer. Due to openings, closings, and seasonal operations, many mines are not available for inspection during the entire year. Of those that were available in 1988, MSHA completed 98 percent of the required regular inspections.

The majority of inspections that were missed was the result of scheduling problems associated with operations that were open on an intermittent basis.

NEW INITIATIVES

Question. What new initiatives are you undertaking to further reduce mine injuries and fatalities in the coming year?

Answer. MSHA is working on many new initiatives to further reduce mine injuries and fatalities. During 1988, the incidence of surface accidents, particularly those involving independent contractors and powered haulage equipment rose significantly. Intensive efforts are being made to alert the operators and contractors of their seriousness. These efforts include special seminars conducted with independent contractor associations, special presentations to operators and contractors, emphasis during informal meetings with operators and contractors, special fatalgram alerts, on-the-job training guides and slide presentations.

During 1989, new rule-making will be developed in the following safety and health areas: Pattern of Violations, Electrical, Underground Diesel Equipment, Hazard Communication and Air Quality. Also during 1989, MSHA plans to publish regulations for Ventilation, Blasting, and Brakes affecting coal mines and Radiation and Methane in metal/nonmetal mines.

Other initiatives in Coal Enforcement include increased efforts to identify illegal mines, the development of a new automated process for approving and tracking all required plans for surface and underground mines, the review of all regulations and technologies currently affecting longwall mining systems, and the use of more innovative techniques in the Roof Evaluation Accident Prevention Program to improve its visibility and impact.

In Metal/Nonmetal Enforcement, a national special emphasis program will be established to deal with individual problems at mines with increasing injury trends and a high number of injuries. The focus of the program will be on getting to the

root causes of accidents and encouraging the operators to initiate corrective actions.

PERMANENT MASS LAYOFFS AND PLANT CLOSINGS

Question. How many States are now collecting data about permanent mass layoffs and plant closings? How many States will be added during FY 1989 and FY 1990?

Answer. Currently, 47 States and the District of Columbia are operating the program on an ongoing basis. Two States, Ohio and Oregon, are in the process of completing the developmental portion of the program. BLS is negotiating with California to bring them into the program and thus achieve nationwide scope. We expect California to be in the program by the end of this fiscal year.

Question. What information is available from the survey?

Answer. PMLPC program data are uniformly reported by all participating States, according to standard definitions. Through this program, detailed information is collected on the establishments with major layoffs or closings and on their affected workers. Obtained from establishments are data on the total number of workers separated and the reason for the layoff, by detailed industry and location. For the affected workers, data are obtained on their age, race, sex, ethnic group, and residence when they file for unemployment insurance benefits.

Question. Is there duplication between this survey and the one conducted to obtain information on worker displacement?

Answer. No. The PMLPC program is an ongoing program which collects current data on all establishments experiencing a major layoff or plant closing involving at least 50 workers and on persons collecting unemployment insurance benefits who lost jobs from those actions. The displaced worker supplement to the Current Population Survey is a sample-based retrospective analysis of persons who held a given job for at least 3 years and lost it sometime in the prior 5 years, because of slack work, the plant closed or moved, or the position or shift was abolished. This supplement was taken in January of 1984, 1986, and 1988.

Only national data are published from the displaced worker supplement. On the other hand, because the PMLPC program is a Federal-State cooperative program, it provides State, as well as national, data on an ongoing basis by county of residence of the unemployed, as well as by age, sex, race, ethnic group, industry of last job, status as unemployment insurance recipient, exhaustion of benefits, and, for exhaustees, detailed occupation.

Question. What do you mean by: "development of an improved business establishment list"?

Answer. In FY 1989, BLS sought and received Congressional approval for funds to develop an improved business establishment list to improve the quality and detail of the BLS universe file on business register information. This improvement is needed to put the Bureau's frame on an establishment basis, rather than a reporting unit basis in order to provide a more detailed sampling frame for all BLS programs and potentially to serve as a common sampling frame for use by other Federal statistical agencies.

Question. Why do changes need to be made to the list?

Answer. The current Bureau of Labor Statistics business directory has many of the key features needed to serve its users, including accurate geographic and industry coding, monthly employment, quarterly wages, frequent updating, and comprehensive coverage. An improved capability for more detailed information on establishments, particularly the actual worksites of multi-establishment enterprises, is needed to improve BLS surveys that use the directory. Currently, there is a critical gap in the BLS information base since such data are not available below the county level for enterprises with more than one establishment engaged in the same kind of business activity within a county. Because these individual worksites of an enterprise are not separately identified on the business directory, they are not individually available for sampling purposes.

Presently, there are approximately 500,000 employers who are identified and report multiple business location activities. After identifying additional employers in this category and converting to an establishment based reporting system (worksite reporting), it is estimated that an additional 500,000 to 700,000 records will be added. An OMB-approved form will be developed for state use to collect these data at the establishment level. Physical location addresses as well as more identification type information to denote the economic activity conducted at that worksite will be obtained to greatly enhance the sample refinement process in the various surveys.

Question. Do other Government agencies have their own lists of firms for survey purposes?

Answer. Yes, several Federal statistical agencies have developed such lists for their survey purposes. However, for the most part, these lists have proven inadequate for government-wide use because they fail to include in a timely fashion new establishment births, they include firms that have been dissolved or are no longer in business and they have industrial coding that is out-of-date. The list that is being developed by the BLS will be vastly superior to any existing list because it addresses all these limitations and will provide additional enhancements such as worksite reporting.

Question. If so, why can't all agencies just use the same list of firms?

Answer. Unfortunately, various confidentiality laws and regulations have prevented lists from being shared between federal statistical agencies. The General Accounting Office prepared a report on this data sharing problem (Report GGD-79-17 dated May 25, 1979).

In April 1987, the Working Group on the Quality of Economic Statistics of the Economic Policy Council noted five specific areas where additional attention and effort was needed to improve the overall economic statistics produced for the federal government. Their report stated, in part, that the three federal statistical agencies (BLS, Census Bureau, and National Agricultural Statistics Service (NASS)) that collect the largest share of basic economic data use different lists to conduct their surveys. Their report also stated that "removing the barriers to sharing of list data among statistical agencies would improve the coverage of all agencies lists, and hence the quality of their statistics and would improve the comparability of the aggregate data series published by different agencies". The report recommended a two tiered approach to resolving the problem.

First, legislation should be submitted to permit the sharing of business identification type information collected by the Census Bureau but not tax type data originally collected by IRS. We understand that the Census Bureau is currently developing such legislation.

The second recommendation was for OMB to designate the BLS and NASS as "Central Collection Agencies" (CCA) for nonagricultural and agricultural business lists, respectively. In response to a request from OMB, BLS submitted a proposal in June 1987 to become the CCA for nonagricultural surveys. The BLS, through its Federal-State cooperative system, would become the central collection agency for business list information for statistical agencies with a verified need to use it for sampling purposes. Centralization of this activity and sharing of the file under carefully controlled circumstances will lead to efficiency and quality gains in Federal Government surveys.

BUREAU OF ECONOMIC ANALYSIS DATA

Question. The Bureau of Economic Analysis in the Commerce Department publishes data on employment by industry as well as employment by State and industry, just as your agency does. Why does this overlap exist?

Answer. Both the BLS and BEA publish and release data on employment by state and industry.

The BLS data on employment are developed in support of the Bureau's overall mission to collect and publish information in the field of labor economics. The data are directly developed by BLS and its cooperating State Employment Security Agency partners as a product of sample surveys (Current Population Survey, Current Employment Statistics Survey) or from tabulations of administrative records (Covered Employment and Wages Program--ES-202 Report). The statistics are published monthly and are used by Congress and the Administration in evaluating the health of the economy and in formulating public policy.

The BEA data on employment, however, are developed as a by-product of the BEA's preparations of estimates of local area personal income and are largely based on information provided by the BLS ES-202 program. These statistics are supplemented by other information in order to meet BEA program needs; the results are available on an annual basis.

Thus, there is no duplication of data collection between series. Both BEA and BLS provide valuable economic data to the government and to the public.

CURRENT POPULATION SURVEY

Question. In what ways will the Current Population Survey be redesigned "to reflect changes that have occurred in the complexity of the labor market as well as in family composition and household patterns"?

Answer. As is the case following every decennial census, the sample for the Current Population Survey will be redesigned after the 1990 census data become available to better reflect the changing geographic and racial-ethnic distribution of the population. In addition, present plans call for the questionnaire used in the survey to be modified to better reflect the new realities of the labor force. Various new and modified questions are already being tested in the BLS collection procedures research laboratory to insure that they will be properly understood and that the meaning placed upon them by the respondents is the same as ours.

Some procedural changes in the survey have been introduced in recent years as a result of changing family and household patterns. For example, because of the growing number of households where both spouses are working, an increasing proportion of the interviewing is now being done in the evening, when at least one of the spouses (if not both) is likely to be home. Also, we have been publishing more data on family labor force patterns.

Question. Will the data collected using the present version of the survey and the revised version be comparable so that we still can see what's been happening over time?

Answer. The introduction of a modified questionnaire is expected to produce some changes in the survey findings. To identify possible changes beforehand and to determine their likely magnitude, the BLS is planning a 2-year separate overlap sample which will allow us to test the new questionnaire and to compare the data it will yield with those being produced through the survey. The new questionnaire will not be substituted for the old one until we have gained some knowledge of the effects of such a change.

Question. You say that data on New York City and Los Angeles will once again be published monthly and derived directly from the Current Population Survey in late 1989. From what source is labor force statistics for other metropolitan areas derived and how often are they published?

Answer. The source of the official labor force statistics for all sub-state areas except for New York City and the Los Angeles metropolitan area is the Local Area Unemployment Statistics (LAUS) program, which is a Federal-State cooperative statistical program conducted by the BLS. Data for metropolitan areas are estimated using standardized procedures developed by BLS, based largely on data from the administrative records of State unemployment insurance agencies, adjusted to conform to the concepts and definitions used in the Current Population Survey (CPS). These data are adjusted to State estimates obtained directly from the CPS on an annual basis. Data for 225 large metropolitan areas are published each month in the BLS news release, State and Metropolitan Area Employment and Unemployment.

Question. Why can't the same information for all metropolitan areas, counties, cities, and States be taken from the Current Population Survey and be published monthly?

Answer. The reason that the same information cannot be taken from the CPS and published monthly for all jurisdictions is related to the size and scope of the survey and the costs which would be associated with production and publication of reliable data for these areas. Data are currently produced directly from the CPS for the 11 largest States. A key objective of the proposed CPS redesign project is to explore the feasibility of producing data for the remaining 39 States and the District of Columbia directly from the CPS. If found feasible, this would provide prompter labor market data in all States.

CPS data are currently obtained from a sample survey of some 59,000 households, representing 729 areas in 1,973 counties and independent cities. Although there is survey coverage in all States, clearly not all counties and cities for which data are required for legislative purposes can be represented directly in the present sample. Labor force statistics are currently developed and published on a monthly basis for approximately 5,400 areas for use in various Federal allocation programs. The costs which would be associated with the production of data meeting acceptable reliability standards for all of these areas from a sample survey would be extremely high. The last estimate of the costs for deriving all necessary local area unemployment data exclusively from the CPS was made by the National Commission on Employment and Unemployment Statistics in 1979. At that time, approximately 4,200 areas were required for legislative purposes. The annual cost estimate developed for the Commission by the Census Bureau for the 4,200 areas (in 1979 dollars) was $2.3 billion. This estimate would no doubt be much greater in 1989 dollars and for an additional 1,200 areas.

CLEARINGHOUSE

Question. The Women's Bureau is responsible for many of the work and family issues that the Department has set as priorities. How can these initiatives be maintained, or in the case of the Clearinghouse on Work and Family issues, be expanded with the projected increase in demand for this information?

Answer. The Clearinghouse is enabling us to "automate" the technical assistance that the Bureau has traditionally provided. As that demand for work and family issues increases, so will our ability (through the Clearinghouse) keep pace.

WOMEN'S BUREAU REDUCTION

Question. You are proposing a $494,000 reduction in Women's Bureau demonstration projects, nearly a one-third cut below the FY 1989 level. Which types of activities do you plan to reduce?

Answer. For FY 1989 the Women's Bureau received a $500,000 one-time add-on to support projects such as the Displaced Homemakers Network (DHN). As a result of the 1.2% across-the-board reduction for FY 1989, the original amount was reduced to $494,000. These funds will be obligated during the FY 1989 grant year that runs from July 1, 1989 to June 30, 1990. The FY 1990 reduction, therefore, is due to the fact that the funds in question were a one-time add-on.

In addition to enhanced DHN funding the one-time add-on was used to provide additional funding for the ten Regional Offices for their constituent organizations and to further develop the Women's Bureau Work and Family Clearinghouse.

DISPLACED HOMEMAKERS NETWORK

Question. How much is budgeted to continue the Displaced Homemakers' Network, compared to FY 1989?

Answer. For FY 1990, we are budgeting $270,000 for the Displaced Homemakers Network.

BENEFITS REVIEW BOARD FUNDING

Question. How much would be needed to restore the proposed cutback in Benefits Review Board activities in FY 1990?

Answer. The Benefits Review Board would need $489,000 to restore the proposed reduction of 11 FTE as in the FY 1990 budget request.

FY 1989 SUPPLEMENTAL/RESCISSION

Question. You are proposing both a rescission and a supplemental, for an identical $1,445,000 involving the Office of Administrative Law Judges. It appears the net effect would be to shift funds from Black Lung cases to Longshore cases. Isn't there a simpler way to transfer these funds without having to go through a supplemental and rescission?

Answer. Unfortunately not. The resources were specifically appropriated by the Congress within the Black Lung Disability Trust Fund for Black Lung program purposes. Therefore, Congressional action and approval is required in order to utilize these resources for other than Black Lung purposes. The mechanism to obtain this approval is to request a supplemental and an offsetting rescission to shift the resources from Black Lung Trust Fund to General Funds.

Question. Is it correct that you are not reducing any of the funds added by Congress in FY 1989 for Black Lung activities at the Benefits Review Board?

Answer. Yes. The requested FY 1989 supplemental and offsetting rescission apply only to the Office of Administrative Law Judges.

WORKER RIGHTS

Question. The Labor Department recently issued a report, as requested by the Senate Appropriations Committee, making numerous recommendations for improving data collection to better track the status of worker rights throughout the world. Have you determined whether existing funding is sufficient to carry out these recommendations?

Answer. The recommendations for upgrading U.S. Government coverage of worker rights, cited in the November 1988 "Secretary of Labor's Report to Congress on Worker Rights Reporting," can be achieved with existing resources, as the report notes on page 3. In fact, most of the recommendations have already been carried out.

The 1988 Country Reports on Human Rights Practices grouped worker rights in a single section in order to make the reports easier to read for end users. The worker rights definitions and reporting instructions sent to labor officers were improved in 1988, and will probably be further refined this year. The Department of Labor's Bureau of International Labor Affairs (ILAB) devoted six staff-months to the review of preliminary country reports in 1988, and the State Department intensified its review process as well. Both departments agree that the product was much better as a result. In September, 1988 the departments co-sponsored the first world-wide labor attache conference, which was a valuable tool not only for providing the attaches with some enlightenment in the area of worker rights but also for learning what kind of support they need from Washington. During this conference, Secretary of State Schultz announced the initiation of a study on how the labor attache corps might be strengthened to meet new worker rights reporting requirements; that study is still in progress.

We are currently acting upon other recommendations. ILAB's Worker Rights Clearinghouse is now operational, and has developed close contacts with various human rights organizations in order to be able to provide available worker rights

information to labor officers. Information and studies developed in-house are also being sent on a regular basis.

The Department's FY 1990 budget submission includes a request for funding to help the International Labor Organization (ILO) develop a computerized index to its extensive worker rights reports (referenced in Labor's report). The ILO material is vast, but not organized in such a way that comprehensive data on a particular issue is easily at hand; the index would streamline the information-gathering process from what is now hours or days to minutes.

The recognition of the need for training has prompted the State Department to seek an expansion of what is now a half-day of training in worker rights for its labor officer training course. The Department of Labor expects to help State in the development of that segment.

ILAB's "Worker Rights Law and Practice Questionnaire," designed to help labor reporting officers pinpoint worker rights problems in their countries, is also in progress. The questionnaire is being prepared in a user-friendly computer format in order to allow for rapid tailoring of the questions to the specific country situation. The result should be even more complete and fair reporting.

The Department of Labor, in short, does have sufficient resources to carry out the recommendations in the "Secretary of Labor's Report." As we also said on page 3 of the report, however, "if Congress continues to require more comprehensive and detailed reporting on worker rights..., at some point it will be necessary to reexamine the adequacy of these resources."

In fact, we are already being confronted by this issue in our efforts to comply with Section 6306 (b) of the Omnibus Trade and Competitiveness Act of 1988. Current resource levels will not permit an exhaustive response to this new reporting requirement. For that reason, we are initially focussing our efforts on a special worldwide study of worker rights in Export Processing Zones (EPZs), with on-site reviews planned for 8-12 countries in 1989.

WAGES OF HIGH SCHOOL DROP OUTS

Question. From 1959 to 1986 earnings for young men who quit high school fell by 26 percent, adjusted for inflation. Even high school grads saw their earnings drop by 9 percent while those of college graduates rose by 6 percent. The huge decline in wages of America's unskilled labor force seems to show that it is no longer competitive in the international economy. The productivity of the unskilled is plummeting while worker productivity abroad is soaring. All of this seems to signal major losses in the battle for world markets.

Madam Secretary, do you agree that wages for those who have dropped out of high school have been falling since the late 1950's?

Answer. In general, yes, current high school drop outs see to be losing ground in real terms, when compared to high school drop outs from the late 1950's. However, age categories used by the Bureau of the Census in conducting certain surveys have changed since the 1950's and precise comparisons cannot be made. This is evidence, however, of the importance of keeping our youth in school and providing the skills needed for employment in the future.

EXCHANGE OF INFORMATION ON LABOR LAW VIOLATORS

Question. GAO's August 1988 report on "sweatshops" in the United States concluded that sweatshops are a serious problem throughout the country. Although these employers are violating both wage and hour and safety and health laws, the two Labor Department agencies with responsibility for enforcing those laws put little emphasis on referring suspected violators to each other and rarely engage in joint enforcement efforts aimed at multiple labor law violators. Nor do they emphasize exchanging information with the Department of Justice's Immigration and Naturalization Service even though legal and illegal immigrants are especially likely to be exploited by unscrupulous employers.

What action has the Department of Labor taken to improve the exchange of information between component agencies such as OSHA and the Employment Standards Administration's Wage and Hour Division about sweatshops or other likely violators of multiple labor laws?

Answer. Our New York Region has taken the lead in this area, with OSHA and the Employment Standards Administration entering into a formal Memorandum of Understanding to assure effective coordination. The agreement, signed in December 1988, provides for a complaint referral system and cross training of staff to assure the validity of referrals. Copies have been forwarded to all other regions to encourage development of similar agreements.

Question. What action has the Department of Labor, or component agencies, taken to improve the exchange of information with the Immigration and Naturalization Service regarding employers thought to be violating labor laws or employing undocumented workers?

Answer. The Department's Wage and Hour Division has a long history of cooperation and coordination with INS. Exchange of information and in some cases joint investigations have been the practice for several years. With the enactment of IRCA, the Department's Office of Federal Contract Compliance Programs joined with Wage and Hour to share the Department's responsibility for review of employers' records related to employment eligibility verification. The Employment Standards Administration, of which they both are a part, has entered into a Memorandum of Understanding with INS and there is a formal procedure for the exchange of information at the local level. Executives from the Department of Labor and the INS meet regularly to assure that effective coordination continues.

WORKER PROTECTION PROGRAMS

Question. The Labor Department has responsibility for enforcing a large number of statutes intended to protect workers' safety, health, and wages. These enforcement activities are carried out by separate component agencies operating with little coordination, and they differ substantially in available resources, relative to their mission; in approach; and in the adequacy of data to monitor and evaluate enforcement effectiveness.

What is being done to identify the most effective approaches among Labor Department agencies and to use evaluation knowledge to do a better job of protecting workers?

Answer. Under former Secretary McLaughlin, the Department initiated an internal evaluation of its enforcement efforts. The initial phase of this project consisted of compiling information from the individual agencies on how they operate. These submissions revealed that each agency operates generally autonomously. For example, while there are some cooperative agreements among the agencies (e.g., ETA, ESA, and OSHA have agreements covering migrant farmworkers), there is no formal mechanism within the Department to ensure that the common activities are coordinated and consistent with each other.

Based upon this initial finding, work groups were established in order to determine whether the Department could improve its enforcement efforts by providing centralized support for the common activities. A report summarizing their findings is currently in draft form and is being reviewed to see what, if any, actions should be taken.

NATIONAL SERVICE CORPS

Question. Much media attention has been focused on President Bush's proposed Youth Entering Service program and Senators Nunn, Mikulski and others have proposed a National Service Corps. There is a good chance that one of these proposals or a compromise version will become law. These bills would potentially have several million persons employed in tutoring, child care, health professions, and other public service occupations. Such a program could play a vital role in training our youth and helping to prepare them to play a responsible role in society. What priority will the Administration give to this legislation?

Answer. The President's Youth Entering Service (YES) program is being developed by White House personnel. Specific details regarding YES have not yet been announced by the White House. Once the proposal is fully developed, however, we would expect the matter to be given high priority.

Question. Much media attention has been focused on the proposed National Service Corps, which would potentially have several million persons employed in tutoring, child care, health professions, and other public service occupations. What would be the impact of inundating public service agencies with such a large influx of volunteers?

Answer. We understand that public service agencies, themselves, would determine whether they could use volunteers effectively. Thus, no public agency would be required to accept unneeded volunteers, so there should be no fear of inundating the agencies.

Question. Isn't this going to displace many of the people that are currently in these positions?

Answer. As we understand current proposals, program volunteers would be used to supplement existing staff of various public service agencies, in order to provide improved services. Most of the Congressional proposals under consideration have provisions prohibiting displacement of regular employees.

Question. Is the Department of Labor going to be expected to play a role to train volunteers in the critically needed, but underpaid employment areas?

Answer. The proposals that have been made so far do not assign responsibility to the Department of Labor for administering the program. We are, of course, following the development of the proposals because of the possible relationship to other programs for which we have responsibility.

Question. Do you have any plans to gain answers to these questions through surveys and research sponsored by the Department of Labor?

Answer. As we understand current proposals, other agencies would have primary responsibility for such a program. Accordingly, we have no current plans for surveys and research in this area.

MONITORING WORKER RIGHTS

Question. What role does the Labor Department's Bureau of International Labor Affairs play in monitoring worldwide progress toward enhancing worker rights?

Answer. In addition to the various activities cited above, ILAB plays an active role in investigating trade-law complaints of labor violations by GSP (Generalized System of Preferences) nations and other trading partners. Procedures for investigation of cases are primarily informal.

Complaints concerning worker rights practices in GSP beneficiary countries that are filed with the Office of the U.S. Special Trade Representative (USTR) are evaluated by ILAB staff who are familiar with the countries' labor laws and practices, findings of the International Labor Organization concerning compliance with relevant international conventions, and trade policies. In practice, ILAB's evaluations rely heavily on information on worker rights contained in the Country Reports on Human Rights Practices and on supplementary data provided by the relevant U.S. embassies. These evaluations are provided to an interagency staff committee chaired by USTR and are utilized in

the deliberations leading up to a determination by the President.

A similar procedure is followed with respect to reviews of worker rights practices for the countries in which the Overseas Private Investment Corporation (OPIC) operates. For GSP beneficiaries OPIC accepts the President's determination. OPIC makes an independent assessment of worker rights practice for those countries that are not beneficiaries under the GSP. In those cases, the corporation staff prepares an initial analysis and recommendation for the case and consults with the Departments of State and Labor, as required.

Question. Now that the Department of Veterans Affairs has been established, do you think it would be advisable to transfer the veterans' employment program from the Department of Labor to the new Department of Veterans Affairs?

Answer. The Department of Labor has not, as yet, formulated a view on this issue. I know that the "independent budget" submitted by the veterans service organizations contains support for such a proposal. I am, at this point, deliberately keeping an open mind, and asking my staff to take a hard look at the pros and cons of taking such an action. The Administration's decision will be based on what we believe will result in the best employment and training services being provided in the most cost effective manner to veterans.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

TRADE ADJUSTMENT ASSISTANCE ACT SUPPLEMENTAL REQUEST

Question. The Department has requested a supplemental appropriation of $126,648,000 for trade adjustment assistance activities. I understand that you now estimate that you will not be experiencing a program shortfall until May or June of this year. Should a supplemental not be enacted by May, what action can the Department take to assist these individuals until such time as a supplemental is enacted?

Answer. If all Trade training funds are exhausted prior to enactment of a supplemental, States may use available Title III JTPA funds to enroll workers in training programs. We expect that Trade benefit funds will be sufficient to meet benefit needs through July. Workers presently in Trade training programs and those approved for training to start shortly would be unaffected.

Question. Are you fully funding the requests submitted by the States for training and benefits?

Answer. We are fully funding all requests and will continue to do so until all funds are distributed to States.

Question. Would you provide for the record, the number of individuals, by State, receiving training and benefits as well as the dollar amounts associated with those benefits?

Answer. The requested information is provided in the following two tables. The individual data is for the month of January for most States, as reported by the States. The funding information is as of March 13, 1989.

FY 1989 TAA FUNDS TO STATES

STATE	Trade Benefits as of 3/13/89	Trade Training as of 3/13/89
Alabama	$60,000	-0-
Alaska	100,000	-0-
Arizona	169,000	$402,500
Arkansas	2,090,000	268,525
California	478,600	-0-
Colorado	650,000	449,016
Connecticut	1,917,000	557,213
Delaware	5,000	-0-
District of Columbia	-0-	-0-
Florida	280,000	-0-
Georgia	85,000	-0-
Hawaii	-0-	-0-
Idaho	49,500	-0-
Illinois	2,542,000	-0-
Indiana	1,060,000	1,771,000
Iowa	775,000	598,000
Kansas	390,000	226,895
Kentucky	875,000	-0-
Louisiana	980,000	555,468
Maine	466,000	578,277
Maryland	762,000	-0-
Massachusetts	2,486,000	642,345
Michigan	25,360,000	9,321,555
Minnesota	390,000	95,450
Mississippi	185,000	17,250
Missouri	1,040,000	1,426,000
Montana	140,000	-0-
Nebraska	20,000	-0-
Nevada	1,000	-0-
New Hampshire	12,000	-0-
New Jersey	1,500,000	-0-
New Mexico	30,000	-0-
New York	3,200,000	5,560,029
North Carolina	400,000	-0-
North Dakota	180,000	57,500
Ohio	7,300,000	1,466,020
Oklahoma	2,700,000	-0-
Oregon	300,000	722,200
Pennsylvania	8,368,000	6,398,370
Puerto Rico	100,000	-0-
Rhode Island	569,000	-0-
South Carolina	160,000	-0-
South Dakota	55,000	-0-
Tennessee	1,455,000	-0-
Texas	2,900,000	-0-
Utah	405,000	-0-
Vermont	84,000	-0-
Virgin Islands	-0-	-0-
Virginia	817,000	774,985
Washington	550,000	-0-
West Virginia	2,048,000	690,000
Wisconsin	1,115,000	126,500
Wyoming	170,000	34,500
Totals	$77,774,100	$32,739,598

TRADE INDIVIDUALS FOR THE MONTH OF JANUARY 1989

STATE	RECEIVING BENEFITS (ESTIMATED)	ENROLLED IN TRAINING
Alabama	12	10
Alaska	0	0
Arizona	60	142
Arkansas	439	120
California	105	16
Colorado	70	426
Connecticut	339	176
Delaware	0	0
Dist. of Columbia	0	0
Florida	106	180
Georgia	41	0
Hawaii	0	0
Idaho	4	8
Illinois*	432	435
Indiana	257	256
Iowa	79	178
Kansas	121	10
Kentucky	278	122
Louisiana	151	281
Maine	121	307
Maryland	41	106
Massachusetts	246	129
Michigan**	3,718	450
Minnesota	62	157
Mississippi	21	24
Missouri	202	235
Montana	20	3
Nebraska	0	0
Nevada	0	0
New Hamsphire	2	12
New Jersey	333	135
New Mexico	2	0
New York	586	INA
North Carolina	157	88
North Dakota	0	0
Ohio	878	829
Oklahoma	658	157
Oregon	63	0
Pennsylvania	1,239	1,425
Puerto Rico	0	0
Rhode Island	93	54
South Carolina	55	0
South Dakota	10	14
Tennessee	523	23
Texas	459	848
Utah	39	302
Vermont	8	63
Virginia	159	294
Virgin Islands	0	0
Washington	57	482
West Virginia	423	603
Wisconsin	145	328
Wyoming	18	1
TOTAL	12,832	9,429

*Data for Illinois represents the month of December 1988.
**Data for Michigan represents the month of November 1988.

NATIONAL MINE HEALTH AND SAFETY ACADEMY TRAINING

Question. According to the budget justification submitted to the Congress, the Department is proposing a reduction of 8 FTE's in educational and policy development under the Mine Safety and Health Administration. It is my understanding that these FTE's are at the National Mine Academy in Beckley, West Virginia -- five in the audio-visual and three in maintenance.

The audio-visual unit at the Academy produces all of the films, slides, tapes and graphics for training programs nationwide, including the satellite programs provided by the Academy. It is my understanding that this group is very experienced in the production of films relating to mine safety. Has there been a reduction in the training activity at the Academy?

Answer. No, there has been no reduction in the training activity at the Academy. Since 1985 there has been an increase each year in the number of student days of training and in the number of publications distributed. Student days rose from 36,302 in 1985 to 42,618 in 1988, while publications distributed steadily increased from 886,110 in 1985 to 1,659,833 in 1988. During the same period, 40 or more new training materials or publications were developed each year. Actual workload data thus far in fiscal year 1989 indicate the upward trend is continuing. An increase is also anticipated for the number of health and safety programs to be transmitted by satellite to the mining community in 1989.

AUDIO-VISUAL SUPPORT

Question. Has there been a reduction in the need for audio-visual support for training?

Answer. No, there has been an increase each year in requests for audio-visual materials such as slides, illustrations, transparencies, and similar products. In fiscal year 1986, the Academy received 484 requests for audio-visual materials. Based on actual requests received thus far in 1989, MSHA estimates a total of 600 requests in fiscal year 1989.

FUNDING FOR AUDIO-VISUAL

Question. Please provide me with the dollar amount required to fund these 8 FTE's.

Answer. A total of $341,000 would be required to fund these 8 FTE's.

REDUCTION IN COAL ENFORCEMENT

Question. The FY 1990 budget also recommends a reduction of 5 FTE's in coal enforcement. Please provide me with information on where those reductions would occur and the dollar amounts associated with those FTE's.

Answer. These positions are all located in the coal dust and gas analysis laboratory in Mt. Hope, West Virginia. This laboratory performs the analysis of routine and special air samples collected in mines during routine inspection activities or fire and explosion investigations; the analysis of samples collected for control of incombustible content collected by coal mine inspection personnel; the evaluation of dust samples following mine fires and explosions or ignition investigations; and the supplying of air sampling containers used for routine air inspections in coal mines and special investigations following mine fires and investigations in coal mines.

The reductions will be accomplished through increased automation of the analysis functions. There are $213,000 associated with these 5 FTE's.

No employees will be terminated. Some of these positions are now vacant and any remaining employees will be absorbed into other mine safety and health work in the Mt. Hope District.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

JOB CORPS

Question. How would the transfer of $13.5 million from the 1989 capital account to operations affect the opening of the six new Job Corps centers mandated by Congress?

Answer. The requested transfer would leave us with sufficient funding in the capital account to acquire, construct and renovate facilities for four of the new centers. Completion of the final two centers would be considered during the 1991 budget process.

Question. If Congress approves the transfer request, is it the Administration's plan to request the additional funds necessary to open the remaining two centers in its FY91 budget request?

Answer. Funding for the additional two centers will be considered in the 1991 budget process.

Question. The administration proposes to increase the proportion of allowable non-residential slots from 10% to 20%. How would DOL accomplish this objective? What would be the impact on residential slots? Is an amendment to JTPA required to accomplish this effort?

Answer. Our proposal is to convert approximately 4,000 existing residential slots to non-residential status. We will first identify the individual Job Corps centers that could best utilize additional nonresidential slots. The conversion process will necessarily be confined to centers that are located in urbanized areas. We will then determine how many of the existing residential slots at each of these centers should become available to nonresidential participants. As residential corpsmembers

graduate, they will be replaced by new nonresidential participants until the conversion target is reached. Dormitory wings or entire dormitories will be closed down or converted to other uses as they are vacated by graduating residential corpsmembers. An amendment to JTPA section 427(a) would be needed before the Department undertakes this conversion process.

Question. What is the status of Job Corps II programs? What funding is available for these programs in Program Year 1989? How will the budget request impact the 600 slots that exist in Job Corps II programs?

Answer. All of the Job Corps II projects have been implemented. Major Job Corps II demonstration projects underway include two pilot nonresidential centers in New Orleans and Philadelphia. The New Orleans Job Corps Center opened in January 1988 and the Philadelphia Job Corps Center in September 1988. These centers will be evaluated by an independent contractor to determine the potential number of youth who can benefit from a nonresidential program and how effective the Job Corps program is in a nonresidential setting.

Other concepts being tested include an extended training day program at the South Bronx and St. Louis Job Corps Centers. Each center increased capacity by 75 slots and offers education classes, vocational training and support services during the evening. This facilitates child care arrangements and enables corpmembers to obtain part-time jobs at the same time they are completing their education and vocational training.

Three centers (Penobscot, Cascades, and Columbia Basin) are testing an extended orientation/assessment program to determine whether more in-depth programs and services during corpsmember's first 30 days on center will reduce early dropout rates and ultimately improve retention and completion rates.

The extended training day and enhanced orientation/assessment programs will be reviewed by the end of Program Year 1989, with recommendations made as to the feasibility of incorporating some or all of the pilot program features into the regular Job Corps program.

Other Job Corps II projects have focused on the development of linkages with State and local agencies. The four Job Corps centers in Oklahoma -- Guthrie, Tulsa, Talking Leaves, and Treasure Lake -- have entered into agreements with the State Department of Human Services and the Oklahoma Employment Service to serve AFDC mothers on a nonresidential basis, with the State agency providing child care and other support services. The South Bronx Job Corps Center has been designated as an alternative high school for the City of New York, and corpsmembers can obtain high school diplomas upon completion of basic requirements. The school board also provides on-site child care for 20 children of corpsmembers enrolled in the high school program.

The Glenmont Job Corps Center has set aside 50 slots for homeless young adults to enroll in Job Corps under a cost-sharing arrangement with the New York Department of Human Resources.

Other centers, such as Pittsburgh, will operate on-site child care programs which will be largely supported with non-Job Corps funds.

In Program Year 1989 it is our intention to maintain the two non-residential centers in New Orleans and Philadelphia at their combined capacity of 450 training slots. Continued operation of these two centers during Program Year 1989 is necessary to ensure a reliable evaluation of participant outcomes. Continued support for the 150 extended training day slots at South Bronx and St. Louis will be based on our assessment of the effectiveness of the initiatives at these two centers. This assessment is now underway and should be completed during May 1989.

Continued funding of the Job Corps II slots that will remain in place during Program Year 1989 will be provided from cost savings that are resulting from recent capacity reductions elsewhere. These reductions are mostly of a temporary nature and stem from facility related problems.

Question. The Administration is requesting $4.5 million for a longitudinal study focusing on the cost effectiveness of the Job Corps program. Will that study be done by the Department in house or will it be contracted out to an independent party?

Answer. A final decision about how to do this study has not been made. The budget requested $5 million for an evaluation to be conducted with the assistance of outside organizations selected by competitive procurement.

Question. What is DOL's policy concerning management fees for nonprofit versus for-profit organizations in Job Corps?

Answer. The Department is in the process of finalizing policy and procedures concerning fees for non-profit versus for-profit organizations This policy, once effected, will be implemented for all contacts including Job Corps.

Question. What are the projected costs of opening the two centers already designated for Kansas and Connecticut?

Answer. Our current cost estimate for the acquisition and construction of facilities for the Kansas center is $11.3 million. This is considered an above average cost and is the result of including childcare facilities along with residential accommodations for corpsmembers with dependent children. We are continuing to search for a suitable facility for the Connecticut Job Corps center. Although no precise cost estimate for the Connecticut center can be given at this time, it will probably fall below the $8 million average of funds estimated to establish a new center.

Question. Please provide the committee with the Department of Labor's profit policy and implementing instructions pursuant to the Federal Acquisition Regulations and directives from OMB. (See 1980 OFPP Letter 80-7).

Answer. The Department of Labor's profit policy is currently being drafted. A copy will be provided to the Committee upon completion.

Question. If no policy currently exists, on what basis are management fees provided to for-profit and nonprofit contractors in Job Corps?

Answer. The contracting authority for Job Corps has been delegated to the Division of Acquisition and Assistance (DAA) within the national headquaters of the Employment and Training Administration (ETA) and to ETA's Regional Job Corps Directors. Job Corps Regional Directors negotiate and award all center contracts, contracts for the outreach and screening of new enrollees, and contracts for post-program job placement and follow-up services. The contracts awarded at the national office level by DAA cover a wide variety of functions and services, including program development projects, construction and rehabilitation of facilities, architectural and engineering management support, enrollee health program support, and contracts with national labor organizations and industry groups to furnish skilled trades instructors at numerous Job Corps centers. The Job Corps Regional Directors make case by case determinations as to which contractors receive a fee. In many instances, they use the structured approaches followed by NASA and the Department of Interior. DAA also makes case by case determinations relative to the national office contracts.

Question. What is the Office of Job Corps' position relative to the provision of management fees to nonprofit contractors?

Answer. The Job Corps Regional Directors generally make fee determinations for both for-profit and nonprofit contractors using a structured approach, such as the weighted guidelines developed by the Department of Interior. This involves a review and assessment of a number of factors, the chief ones focussing on the financial risk to the contractor in performing the contract.

Question. Why do some nonprofit contractors in Job Corps receive management fees and others do not?

Answer. The Job Corps Regional Directors have negotiated minimal management fees with those nonprofit contractors that requested fee in their proposals. However, in each instance, the Job Corps contracting officer made an initial assessment of contractor risk.

Question. Who has the authority to award or deny a management fee to a for-profit or nonprofit contractor in Job Corps?

Answer. The determination is made on a case by case basis by each individual contracting officer.

Question: On what basis are management fees denied to nonprofit contractors?

Answer. In most instances, denials are based on absence of significant risk to the contractor. For example, there is far less risk present for a contractor that receives a noncompetitive contract than for a contractor that competes for an award.

Question. List all nonprofit contractors in Job Corps (including labor unions) and tell us whether or not each receives a management fee.

Answer. The list of non-profit organizations that currently have Job Corps contracts from the Department of Labor is provided below.

Contracting Office	Contractor	Contract Number	Mgt Fee
Region 1	Training Development Corp.	1-JC-300-23	Yes
	Training Development Corp.	1-JC-601-25	Yes
	Training Development Corp.	1-OP-802-23	No
Region 2	Women in Community Service	2-86-JR-9-34	No
Region 3	AFL-CIO Appalachian Cncl	3-JP-726-42	No
	AFL-CIO Appalachian Cncl	3-JR-942-42	No
	AFL-CIO Appalachian Cncl	3-JP-924-24	No
	AFL-CIO Appalachian Cncl	3-JP-954-54	No
	Women in Community Service	3-JP-719-11	No
	Women in Community Service	3-JR-866-42	No
Region 4	Tuskegee Institute	1-6-0003-43	No
Region 5	Alpha Kappa Alpha Sorority	5-JC-917-39	Yes
	Women in Community Service	5-JC-922-05	No
	AFL-CIO Appalachian Cncl	5-JC-925-26	No
	AFL-CIO Appalachian Cncl	5-JC-926-05	No
	AFL-CIO Appalachian Cncl	5-JC-928-05	No
Region 6	Texas Educational Foundation	JC-6-48-00022	Yes
	Texas Educational Foundation	JC-6-48-00011	Yes
	Texas Educational Foundation	JC-6-48-00033	Yes
	Cherokee Nation of Oklahoma	JC-5-40-00055	Yes
Region 7	Women in Community Service	JCC-7002-29	No
Region 8	Confederated Salish and Kootenai Tribes	JCC-5060-30	Yes
Region 9	YWCA of Los Angeles	JCC-06-4626-43	Yes
	Women in Community Service	JCR-06-8017-43	No
	Women in Community Service	JCR-06-5015-43	No
Region 10	None.		
Nat HQ: DAA	Intl Brotherhood Painters	99-6-0404-35-01	No
	Intl Masonry Institute	99-6-0277-35-01	No
	Transport and Communications Workers Union	99-6-0108-35-01	No
	National Maritime Union	99-6-2076-35-01	No
	AFL-CIO Appalachian Cncl	99-6-0091-35-01	No
	UAW-Employment and Training Corporation	99-6-0092-35-01	No
	Intl Union of Operating Engrs	99-6-0042-35-01	No
	Home Builders Institute	99-6-0278-35-01	No

Intl Brotherhood Carpenters	99-6-0355-35-01	No
National Occupational Testing Institute	99-6-3414-35-01	No
Women in Community Service	99-6-0824-35-01	No
Joint Action in Community Service	99-6-0822-35-01	No
Joint Action in Community Service	99-8-0822-35-01	No
Training and Development Corporation	99-9-4810-35-01	Yes

Question. List the for-profit contractors in Job Corps and tell us whether or not each receives a management fee.

Answer. The list of for-profit organizations that currently have Job Corps contracts from the Department of Labor follows.

Contractor	Contract Number	Program/Activity		Mgt Fee (y/n)
CSDC	2-87-JC-13-36	CENTOPS CASSADAGA	NEW YORK	YES
CSDC	21-6-0004-43	CENTOPS CLEMENTS	KENTUCKY	YES
CSDC	5-JC-920-26	CENTOPS DETROIT	MICHIGAN	YES
CSDC	2-84-JC-12-36	CENTOPS GLENMONT	NEW YORK	YES
CSDC	47-6-0006-43	CENTOPS KNOXVILLE	TENNESSEE	YES
CSDC	JC-6-05-00066	CENTOPS LITTLE ROCK	ARKANSAS	YES
CSDC	JC-8-22-0050	CENTOPS NEW ORLEANS	LOUISIANA	YES
CSDC	1-JC-514-50	CENTOPS NORTHLANDS	VERMONT	YES
CSDC	21-6-0007-43	CENTOPS PERKINS	KENTUCKY	YES
CSDC	JCC 06-7430-43	CENTOPS SACRAMENTO	CALIFORNIA	YES
CSDC	JCC 06-8431-43	CENTOPS SAN DIEGO	CALIFORNIA	YES
CSDC	JCC-06-5425	CENTOPS SAN JOSE	CALIFORNIA	YES
CSDC	13-7-0003-0004	OSP RECRUITMENT	GEORGIA	NO
DAU WALKER	99 6 3281 35 88 1	VOC TNG UPGRADE	SUPPORT	YES
DAU WALKER ASSC	99 8 3281 35 116 1	VOC TNG DATA ANALYS	SUPPORT	YES
DAU WALKER ASSC		VOCTN'L INSTRUCTOR	TRAINING	YES
DAU-WALKER	99 8 3281 35 4	STUDY JOB CORPS	O/S/P	YES
DYN SCIENCE	JCC-6003-30	OSP REC AND PLC	MONTANA	NO
DYN SCIENCE	JCC-6004-49	OSP REC AND PLC	UTAH	NO
DYNAMIC SCIENCE	3-JP-915-42	OSP PLACEMENT	PHILDLPHIA	NO
DYNAMIC SCIENCE	2-88-JR-33-36	OSP RECRUITMENT	NYC	NO
ENTRP NEW DEVEL	99 8 2514 35 36	TAC DEVELOPMENT	SUPPORT	YES
GE	3-JC-603-51	CENTOPS BLUE RIDGE	VIRGINIA	YES
GE	3-JC-607-24	CENTOPS CHESAPEAKE	MARYLAND	YES
GE	3-JC-604-42	CENTOPS KEYSTONE	PENN	YES
GE	3-JC-609-11	CENTOPS POTOMAC	WASH. DC	YES
GE	JC-RX-86-01	CENTOPS TONGUE POINT	OREGON	YES
GE	1-JC-411-25	CENTOPS WESTOVER	MASS	YES
GE	21-5-0004-43	CENTOPS WHITNEY YNG	KENTUCKY	YES
GE	3-JC-501-24	CENTOPS WOODSTOCK	MARYLAND	YES
HCR	99 8 4680 35 42	DISTRIB JOB CORPS	MATERIALS	YES
ITT	5-JC-923-39	CENTOPS DAYTON	OHIO	YES
ITT	2-86-JC-05-36	CENTOPS DEL VALLEY	NEW YORK	YES
ITT	2-87-JC-12-34	CENTOPS EDISON	NEW JERSEY	YES
ITT	2-87-JC-41-36	CENTOPS ONEONTA	NEW YORK	YES
ITT		CENTOPS WESTOVER	MASS	YES
JTC ENVR CNSLT	99 8 3299 35 39	ENVIRON HEALTH PROG	SUPPORT	YES

Contractor	Contract Number	-------Program/Activity--------			Mgt Fee (y/n)
K K BIOSCIENCE	99 8 4735 35 113 1	CHLAMYD	TESTING	CONTRACT	NO
LEO A DALY	99 6 1658 35 77 1	MANAGE	ENGINEERING	SUPPORT	YES
MINACT		CENTOPS	BAMBERG	S CAROLINA	YES
MINACT	28-6-0005-43	CENTOPS	BATESVILLE	MISS	YES
MINACT	JCC-7003-29	CENTOPS	EXCEL SPRING	MISSOURI	YES
MINACT	JCC-5059-29	CENTOPS	ST LOUIS	MISSOURI	YES
MINACT	3-JC-616-29	CENTOPS	WOODLAND	MARYLAND	YES
MINACT	JCC-6002-29	OSP	RECRUITMENT	ST LOUIS	NO
MODEL CLASSROOM	99 8 4714 35 94 1	SOCIAL	SKILL PROGRM	SUPPORT	YES
MTC	13-6-0002-43	CENTOPS	ATLANTA	GEORGIA	YES
MTC	13-5-0002-43	CENTOPS	BRUNSWICK	GEORGIA	YES
MTC	JC-RX-86-02	CENTOPS	CASCADES	WASHINGTON	YES
MTC	3-JC-506-54	CENTOPS	CHARLESTON	WEST VA	YES
MTC	5-JC-914-39	CENTOPS	CINCINNATI	OHIO	YES
MTC	JCC-5056-49	CENTOPS	CLEARFIELD	UTAH	YES
MTC	JCC-8003-19	CENTOPS	DENISON	IOWA	YES
MTC	JCC 06-6428-43	CENTOPS	INLAND EMPRE	CALIFORNIA	YES
MTC	37-4-0013-43	CENTOPS	KITTRELL	N CAROLINA	YES
MTC	3-JC-505-42	CENTOPS	RED ROCK	PENN	YES
MTC	JC-5-22-00033	CENTOPS	SHREVEPORT	LOUISIANA	YES
MTC	JC-8-40-00044	CENTOPS	TULSA	OKLAHOMA	YES
MTC	13-6-0008-43	CENTOPS	TURNER	GEORGIA	YES
NERO ASSOC	JCR 06-5014-43	OSP	PLACEMENT	NO CALIF	NO
NERO ASSOC	JCC-6005-19	OSP	REC AND PLC	IOWA	NO
NERO ASSOC	JC-RX-87-01	OSP	REC AND PLC	OR/ID/AK	NO
NERO ASSOC	5-JC-927-39	OSP	REC AND PLC	OHIO	NO
NERO ASSOC	JCC-8010-20	OSP	REC AND PLC	KANSAS	NO
PATHLAB	99 9 4741 35 3 6	AIDS	TESTING	CONTRACT	NO
RESCARE	5-JC-910-18	CENTOPS	ATTERBURY	INDIANA	YES
RESCARE	28-8-0001-43	CENTOPS	GULFPORT	MISS	YES
RESCARE	12-6-0001-43	CENTOPS	MIAMI	FLORIDA	YES
RESCARE	28-7-0001-43	CENTOPS	MISSISSIPPI	MISS	YES
RESCARE	2-86-JC-02-36	CENTOPS	SOUTH BRONX	NEW YORK	YES
SMITH-MEAD	3-JRP-806-42	OSP	REGN 3 MEDIA	CAMPAIGN	NO
TAG INC	99 6 3211 35 79 1	MANAGE	REAL ESTATE	SUPPORT	YES
TELEDYNE	JC-7-35-00055	CENTOPS	ALBUQUERQUE	NEW MEXICO	YES
TELEDYNE	12-5-0001-43	CENTOPS	GAINESVILLE	FLORIDA	YES
TELEDYNE	12-4-0011-43	CENTOPS	JACKSONVILLE	FLORIDA	YES
TELEDYNE		CENTOPS	JACKSONVILLE	FLORIDA	YES
TELEDYNE	3-JC-424-51	CENTOPS	OLD DOMINION	VIRGINIA	YES
TELEDYNE	JCC 04-5424-43	CENTOPS	PHOENIX	ARIZONA	YES
TELEDYNE	3-JC-502-42	CENTOPS	PITTSBURGH	PENN	YES
TELEDYNE	JC-8-35-00999	OSP	REC AND PLC	NEW MEXICO	NO
TMR	45-4-0012-43	CENTOPS	BAMBERG	S CAROLINA	YES
TMR	1-JP-801-25	OSP	PLACEMENT	CT/MA/RI	NO
TMR	45-7-0004-0004	OSP	RECRUITMENT	S CAROLINA	NO
VINNELL		CENTOPS	HUMPHREY	MINNESOTA	YES
VINNELL	5-JC-929-17	CENTOPS	JOLIET	ILLINOIS	YES
VINNELL	JC-6-48-00055	CENTOPS	LAREDO	TEXAS	YES
VINNELL	JC-5-35-00022	CENTOPS	ROSWELL	NEW MEXICO	YES
WACKENHUT	2-87-JC-12-34A	CENTOPS	EDISON; SEC	TRAINING	YES
WACKENHUT	JC-5-40-00066	CENTOPS	GUTHRIE	OKLAHOMA	YES

DAVIS-BACON ENFORCEMENT

Question. My office has recently been receiving an increased number of complaints about Davis Bacon enforcement in North Dakota. The criticism is not necessarily directed at those Department personnel stationed in my state, but rather at the apparent understaffing of the offices. Cases seem to drag on longer than necessary, causing inconvenience for all parties involved. Yet, the only increase in FTEs requested for compliance activities is for the industrial homeworker compliance program. Does the Department recognize Davis-Bacon enforcement as a problem, and if so, what actions can be taken to alleviate it?

Answer. The Department has not found Davis-Bacon enforcement and the level of staffing of the Wage and Hour Division to be a problem. The total number of Davis-Bacon investigations has steadily increased over the last three (3) fiscal years, while complaint inventories have decreased. We believe that the current staffing level is adequate to maintain an effective Davis-Bacon enforcement program.

We have also initiated special efforts to further improve the timeliness of compliance actions. We have established specific goals for the reduction of complaints in inventory more than 240 days. The purpose of this initiative is to provide more timely service to the public.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

MIGRANT AND SEASONAL FARMWORKER PROGRAM

Question. The January 1989 "Provisional Legalization Application Statistics" report of the INS shows 1,287,824 farmworkers have applied under the SAW program. If the present approval rate of 70 percent continues, over 900,000 SAW applications will be approved. The vast majority of these individuals will meet section 402 eligibility requirements. Since the Migrant and Seasonal Farmworker program historically has served roughly 9% of the eligible population, how can the Department continue to serve about 9% of the eligible domestic worker population when the budget proposes cutting the program by 17%?

Answer. The $57,209,000 request for Fiscal Year 1990 represents the statutorily required 3.2 percent of the amount requested for Part A of Title II of JTPA. For FY 1988 and FY 1989 the Congress provided funds above the request level to meet an anticipated need for services as a result of SAW activity under IRCA. Since the filing date for IRCA has expired, the size of the eligible population is expected to stabilize.

Question. Does the Department have data indicating which States these newly eligible farmworkers reside?

Answer. No. Under a grant with the Department, the Association of Farmworker Opportunity Programs (AFOP) is collecting SAW information from Section 402 grantees, e.g., age, sex, education, point of entry, number applying for Section 402

services, number provided assistance and the number granted work permits by INS. AFOP will also collect data on the number of SAWs enrolled in the program and of those enrolled, the number assigned to training, the number completing training and the cost per SAW applicant receiving service and training. We expect AFOP to submit this information in the Fall of 1989. Since Section 402 grantees are not required to collect such information, complete information may not be available.

Question. Has the Department surveyed the 402 grantees to ascertain how many SAWs have requested to participate in the program?

Answer. The Department has requested AFOP to collect this information under a grant award.

Question. Has the Department considered proposing legislation to raise the statutory limit on Section 402 funding in order to meet the needs of the growing migrant and seasonal farmworker population?

Answer. No. We believe the current statutory limit is appropriate for this program, particularly given the need for fiscal restraint.

Question. What data did the Department rely on to justify the statement that it is not, "aware of any long term significant increase in caseload that would support the 1989 enacted level?" When was the data obtained?

Answer. To date, only anecdotal information has been available regarding the number of SAWs seeking services, and it indicates that a number of SAWs have enrolled and received services. It is too early to say whether this will continue as a long-term significant increase.

Question. How many fewer farmworkers does the Department estimate would be served in PY'90 then were served in PY'89 under the requested level of appropriations?

Answer. The Department estimates that 7,100 fewer individuals would be served - 56,000 in Program Year 1989 compared to 48,900 in Program Year 1990.

AUTOMATION ACTIVITIES

Question. The ETA has provided $120 million over the last six years in special grants for Unemployment Insurance automation. What impact has the funding had on State delivery systems?

Answer. These grants have been used by the States to improve the efficiency and accuracy of State unemployment insurance (UI) delivery systems. Projects funded from UI automation grants are for the improvement and upgrading of basic UI systems or for the purchase of new automation equipment to replace outmoded and obsolete equipment. During the past six years, 198 State proposals have been funded. Of these awards, 70 involved redesign or improvements to components of UI benefit payment systems, 62 involved tax system component redesign or enhancements, 23

involved the automation of previously manual systems, and 22 involved redesign or enhancements to the appeals systems. The remainder of the awards were for equipment purchases such as central processing units, terminals, laser printers, and optical character recognition devices.

Question. How much does the Department estimate States have spent on this activity from other funding sources?

Answer. States do not report this information to the Department. Much of the States UI automation efforts are financed from basic UI administrative grants, including system development, maintenance and ongoing automation operations. UI automation grants assist States in financing major systems improvements and new equipment requirements to meet future needs that cannot be financed from basic UI administrative grants. In addition, some States from time to time supplement their automation efforts by using other fund sources such as Reed Act, penalty and interest, and State funds.

Question. Have State delivery systems become faster and more efficient as a result of these grants?

Answer. Generally, yes. States receiving these grants for UI benefits, tax, and appeals operations have usually shown an increase in the promptness in which they process these workloads. This increase has been reflected in performance results in the period after implementation of the UI automation grants project.

In many cases, States have realized efficiencies in program administration as the result of these grants. In the last six years, States receiving these grants have offered $49.6 million in payback. This is evidence of their commitment to the efficiencies gained by automation of UI activities.

Question. Has the Department examined the effectiveness increased automation has brought to the State's Unemployment Insurance activities? Are there projections/estimates of future needs?

Answer. The Department has not specifically examined the effectiveness of automation on State UI activities. The Department annually reviews States' achievement of key UI program outcomes, including timeliness of benefit payments and tax collections. Over the past six years, States have maintained their ability to generally achieve these performance outcomes during a period of incrementally lower workload and staffing levels and increasing use of automation.

The Department is committed to a long-range plan that addresses State needs. Our experience indicates that $20 million annually is a good target because this figure represents the level of resources that the States can timely absorb to meet their automation needs.

QUESTIONS SUBMITTED BY SENATOR JAMES A. McCLURE

FUTURE GRANTS

Question. The City of Boise has experienced enormous difficulties in obtaining 13(c) certifications from DOL in the past, and in fact waited over one and a half years for last year's formula grant. Boise has now gone to great lengths to provide adequate 13(c) protection for its employees and has worked with the Department to establish a 13(c) framework that should be satisfactory for all grants in future years. Secretary Dole, can you agree that, absent some unforeseen circumstance, the 13(c) protections now in place for Boise can simply be applied, on an automatic basis, to future UMTA grants?

Answer. There have been difficulties in the past in processing grants for the City of Boise which contain adequate arrangements to protect the interest of employees who may be affected by Federal assistance. We hope that these problems are behind us. As you are aware, the parties are currently discussing the incorporation of most of the arrangements previously imposed by this Department into a signed agreement. They are also negotiating, for the first time, over a factfinding procedure for application to a pending grant. The progress the parties have made clearly reflects the intent of Congress that protective agreements should result from negotiations between the parties whenever possible. In this way Congress attempted to accommodate the variety of local conditions which may affect the parties. While we have been and will continue to work closely with the parties in the Boise case to ensure expeditious processing of future certification, the Department cannot give an absolute guarantee that the 13(c) protections applied to the last grant to Boise can be automatically applied to all future grants.

Question. Will you work with Boise to avoid the type of protracted battles with the union and funding delays that have occurred in the past?

Answer. You may be certain that every appropriate effort will be made with Boise and the Amalgamated Transit Union, which represents the transit system's employees, to avoid the delays which have occurred in prior certifications.

DEPARTMENT OF LABOR 13(c) ADMINISTRATION

Question. Given the significant time delays Boise has experienced, it appears to me that the DOL 13(c) process would benefit from some administrative reforms. For smaller cities like Boise, delay in receiving Federal assistance creates major financial problems. Would the Department consider establishing a timeframe for negotiations so the unions would not be able to delay the certification process?

Answer. I certainly agree that delay in receiving Federal assistance can create major financial problems for cities such as Boise. For this reason, the Department has instituted administrative changes to, among other things, streamline the

processing of routine grant requests. The vast majority of certification requests are processed in time to meet the Transportation Department's quarterly release cycle without the Department of Labor having to intervene or to impose a determination. Unfortunately, as in the case of Boise, the certification process can be difficult and protracted where the parties wish to change existing agreements.

Question. Further, would the Department consider establishing some clear timetables for its own decisions, to assure that cities and transit agencies are not left waiting, for prolonged periods, for their Federal grant funds?

Answer. Under the 13(c) guidelines, the Department can establish time schedules for negotiation in appropriate cases. This system allows the Department the flexibility to intervene, where necessary, and to provide technical assistance to help ensure timely certification. In recognition of Congressional intent in enacting Section 13(c), the Department's focus has been to facilitate negotiations between the parties, although where the parties are unable to achieve an agreement in spite of good faith negotiations, the Department has set time limits and required the parties to provide briefs on issues in dispute. Our objective in establishing these time schedules is to achieve a balance between the interest of the transit system against the interests of transit employees who are protected under the UMT Act. You may be assured that our efforts are directed toward continually improving the administration of our Section 13(c) responsibilities.

QUESTIONS SUBMITTED BY SENATOR FRANK R. LAUTENBERG

CIVIL PENALTIES UNDER OSHA

Question. As you may know, civil penalties under the Occupational Safety and Health Act have not been increased since they originally were enacted in 1970. Since then, their real value has declined by about two-thirds due to inflation. Do you think that the two-thirds reduction in real OSHA penalty values will have any effect on the deterrent effect of these penalties?

Answer. The revised procedures for assessing penalties which were adopted by OSHA in March 1986 have to a great extent offset the impact of inflation on the penalties authorized under the Occupational Safety and Health Act. Permitting assessment of a penalty for each instance of a serious, willful, or repeated violation of a standard by an employer has resulted in the assessment of the highest penalties in OSHA's history. In FY 1986, the total penalties assessed by OSHA were $11,240,275. In FY 1988, assessed penalties had risen nearly 400 percent to $40,765,770. The deterrent effect of OSHA's penalties has been enhanced.

Question. Do you think that the two-thirds reduction in real OSHA penalty values could lead to an increased number of occupational safety and health violations?

Answer. Penalties assessed by OSHA have increased by nearly 400 percent since the agency revised its assessment procedures in March 1986. We do not believe that the value of current penalties under the OSHA Act could in any way result in an increased number of occupational safety and health violations.

Question. Do you think that the two-thirds reduction in real OSHA penalty values will have any effect on government revenues?

Answer. The penalties now assessed by OSHA and the resulting collections deposited to the U.S. Treasury have increased, rather than decreased over the past few years.

Question. Do you support the two-thirds reduction in the value of OSHA penalties?

Answer. It does not appear that inflation has resulted in a two-thirds reduction in the real value of OSHA penalties. In practice, no such reduction has occurred because of the changes in penalty assessment procedures adopted by OSHA in March 1986.

Question. Would you support an increase in the maximum amount of OSHA penalties to account for inflation since they were enacted?

Answer. The Department of Labor is not prepared at this time to take a position on the need to amend the Occupational Safety and Health Act of 1970 in order to authorize an increase in the maximum amount of an OSHA penalty.

Question. Do you think that OSHA penalties should periodically be increased to account for inflation?

Answer. OSHA has been able to significantly increase the penalties it assesses within the confines of the maximum amounts allowed under the OSHA Act. As noted, the Department of Labor is not prepared at this time to take a position on the need to amend the OSHA Act to account for inflation.

Question. Do you support S.490, the OSHA Civil Penalty Inflation Adjustment of 1989? If not, why not? Do you have any recommendations for changes in the bill?

Answer. The Department of Labor is not prepared at this time to take a position on the need to increase penalties, as contained in S.490 or other proposed legislation. During the coming months, we expect to review and provide comments, as appropriate, on initiatives to amend the OSH Act, including those that would provide increased penalties for violations of job safety and health standards.

LABOR MARKET INFORMATION

Question. I understand funding for non-statistical labor market information has been cut by more than 50 percent since the early 1980s. Also, elimination of the Job Bank Openings Summary program, which automatically produced local summaries of job bank data, as well as the "Occupations in Demand" publication, have resulted in a sharp reduction of local labor market information available. It is also my understanding that due to repeated

Federal budget cuts, professional counselors have virtually disappeared from local Job Service offices, and the number of individuals counseled per year has been cut by 50% between 1980 and 1988. What is your view as to how students, job applicants, and employers can make well informed decisions in the absence of information on labor shortages and professional guidance staff to assist them?

Answer. State and local labor market information (LMI) is produced by the States in a variety of formats and for a wide range of users. LMI activities are funded with money from JTPA grants, ES Reimbursable grants, ES Grants Sections A and B, National and State Occupational Information Coordinating Committees grants, UI administrative grants, UI Penalty and Interest funds, Federal Vocational Education grants, a variety of State and local sources, and user fees. It is reported that States spent almost $103 million for LMI purposes in 1987. Only $53.5 million of that amount was attributed to BLS statistical programs. Just how this total complex of activity compares to that of 1980, cannot be determined.

The number of counselors in local Job Service offices may or may not be directly related to Federal ES allocations. There was a time when USDOL determined for States the number and kinds of positions State agencies could hire. Since 1983, States have been statutorily free to determine for themselves both the mix of services and the kinds of staff supported by ES grants. Therefore, the number of counselors is a State decision based on State and local labor market priorities.

Labor market information consists of more than labor shortage information. The primary source of job vacancy information used by jobseekers is not the United States Employment Service; family, friends, and newspaper ads are all sources used with greater frequency. We do not know that publication of demand occupations or the presence of counselors in local Job Service offices substantially affects that pattern of behavior. The Department has strongly encouraged States to increase counseling activities. We are seeking, together with the States, ways of increasing use of ES information and services by jobseekers and employers alike.

I share your conviction that accurate and timely labor market information is important to all participants in the labor market. But I also believe that before we invest in additional LMI initiatives, we need to look seriously at LMI needs and use patterns among jobseekers and employers. To that end, the Department supported the National Governors Association in developing Cracking the Labor Market, a handbook for States in the use of LMI information for human resources planning. The Department also funded the Northeast-Midwest Institute to prepare two booklets on labor market information, one entitled, Labor Market Information: An Agenda for Congress, and one entitled, Labor Market Information: A State Policymaker's Guide. The Department is currently co-sponsoring with the Northeast-Midwest Institute a series of regional conferences where the present status of labor market information is being jointly examined by LMI producers and users.

LABOR SHORTAGE IDENTIFICATION

Question. If there is a general recognition that labor market information is imperfect and always will be, why would you restrict labor shortage identification to direct measures of the imbalance between supply and demand for specific job openings; and why would you require that shortages be measured in terms of specific occupations (e.g. Vietnamese chefs) and local areas? By analogy, would this mean that you would not permit BLS to publish a national unemployment rate unless accurate local area unemployment rates and unemployment rates by specific occupation are available?

Answer. Labor market information is and will always be imperfect. Because of that, we need to be careful that we do not mislead students, job applicants, and employers with unsupported generalizations. The Department does not object to identifying on a national basis occupational areas where shortages are projected. BLS regularly publishes lists of growing and declining occupations. But to suggest, on the basis of national figures, that shortages exist in all parts of the country when that is known to be untrue, or has yet to be demonstrated, would be, in my judgment, irresponsible. We certainly do not use national unemployment figures in that way.

COST AND TIME ESTIMATE

Question. Please provide a cost and time estimate for the preparation of an annual list of national labor shortages as suggested by the Department of Labor research conducted by the University of Michigan in 1982.

Answer. It is not possible to provide such an estimate or apply the methodology recommended by the University of Michigan because information on some of the indicators utilized in that methodology is no longer available.

REQUEST FOR PROPOSAL ON LABOR SHORTAGES

Question. I understand that the Department has recently published a request for proposal (RFP) similar to the RFP that resulted in the University of Michigan 1982 research. What is to be gained by this latest contract? Why peruse this strategy if the only real way to determine labor shortages is through direct measures of imbalance between supply and demand for specific job openings?

Answer. The referenced RFP was issued to obtain expert assistance in the use of labor market information for a variety of alien labor certification purposes. The proposed research is broader in scope than that conducted by the University of Michigan in 1982. Where the objectives of the two studies coincide, a new study is needed because information on some of the indicators used by the 1982 study is no longer available.

COST OF EXISTING LABOR SHORTAGES TO NATION

Question. What would be your estimate of the cost to the nation of existing labor shortages in terms of lost economic growth, inflation, and our damaged competitive position?

Answer. Since we lack specific information on the existence or extent of labor shortages, we cannot make the requested estimate. I do, however, take the issue of labor shortages seriously and have asked BLS what the Department might do to increase our understanding of the incidence of and potential for labor shortages.

JOB SERVICE OPENINGS AVAILABILITY

Question. What is the most efficient way to make Job Service openings available?

Answer. Efficiency varies with circumstances and objectives. With respect to availability of job vacancies, it may be measured by the percent of users getting jobs, or the cost of processing a referral. It can be reflected in the number of job orders receiving a referral within 24 hours, the numbers of referrals made per job order, or the length of time taken to fill the job order. It can be measured by referral to placement ratios. All these criteria have been applied at one time or another. Not all are consistent with each other; each has its weakness. Individual States apply the measures of their choice consistent with the objectives and needs to be met by their programs.

Efficiency --however defined-- must also take into account the group served. Measures applied may vary with the perceived need of the user. In short, there is no one "most efficient" way of making Job Service opening information available. The method chosen depends on the measure applied and the group served. For this reason, the Department has worked diligently to protect States prerogative to define goals, decide the best program designs to meet these goals, and select the measures of efficiency by which to judge success.

Ultimately, however, questions of efficiency bump up against three basic facts:

--Relatively few employers list jobs with the ES, and those that do, list a limited subset of available vacancies.

--Relatively few jobseekers use the ES as a source of knowledge concerning job vacancies.

--Relatively few jobseekers are willing to consider relocation.

JOB BANK MAILINGS

Question. The "Occupations in Demand" newspaper provided data on hundreds of thousands of openings from an average of over 30 States each month. It was distributed to thousands of schools and Job Service offices around the country. Are the microfiche job bank mailings really a comparable service?

Answer. We do not know how many persons read "Occupations in Demand," made applications to jobs listed therein, or were hired as a result. Since, however, the jobs listed in this publication were available only by application through a local Job Service office, the screening and referral service provided cannot be much different than that of a local Job Service office normally provides. It may be that publication of demand occupations increased the number of persons seeking specific jobs through the ES, but we have no way of confirming this.

COSTS FOR INTERSTATE JOB BANK

Question. What is the annual cost of the Interstate Job Bank? What were the last cost figures for the "Occupations in Demand" newspaper?

Answer. The current, Fiscal Year 1989, federal obligation for Interstate Job Bank activities is $1,594,000. Fiscal Year 1981 was the last year in which Job Bank Opening Summaries and the Occupations in Demand project was funded. The federal obligation then was $353,000.

LABOR SHORTAGES PROJECTS

Question. How many research projects has the Department funded over the past ten years regarding the identification of labor shortages? How much has been expended for this research?

Answer. There have been 15 labor shortages projects funded by the Department over the past ten years. A list of these projects will be provided to the Committee. Information on the costs of these projects is being researched and the information will be provided when completed. We expect that for the earlier contracts this information will not be available. It would require substantial cost and effort to research archives to extract the costs of these closed contracts.

SCHEDULE A USAGE FOR LABOR CERTIFICATION

Question. I understand that the Department currently uses a Schedule A as a basis for labor certification for a number of aliens in a limited number of national shortage occupations. How has that schedule been developed and on what basis is it updated? Why is it sound policy to utilize this schedule but not to pursue the approach suggested by Michigan research?

Answer. Schedule A contains a very limited number of "pre-certified" occupations for purposes of alien labor certification under the immigration preference system in The Immigration and Nationality Act. These occupations include intracompany transfers of multi-national corporations, religious occupations, and aliens of exceptional ability in the sciences and arts, as well as occupations in short supply. The latter category includes only physical therapists and nurses.

Schedule A does not represent a listing of national shortage occupations based on national labor market information. The only change to schedule A since its initial publication in 1980 was the removal of physicians in 1987, based on information provided by the Public Health Service and after full public comment through the rulemaking process. Any further changes, either to add or delete occupations, would likewise be made through the rulemaking process and would require sufficient statistical information to support the action.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF RAYMOND MARIA, DEPUTY INSPECTOR GENERAL

ACCOMPANIED BY:

E.J. GERMAN, ASSISTANT INSPECTOR GENERAL FOR RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

GERALD W. PETERSON, ASSISTANT INSPECTOR GENERAL FOR AUDIT

MICHAEL M. RYMAN, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF ASSOCIATES

Senator HARKIN. The subcommittee will resume its sitting.

Now we have the Deputy Inspector General Ray Maria, and I understand the Inspector General Brian Hyland is out of town and unavailable today.

Mr. MARIA. That's correct, Senator. The inspector general could not appear today. However, I would like to introduce those present. To my far left is Gerald Peterson. Gerry is the Assistant Inspector General for Audit. Seated at my immediate left is Jerry German, who is the Assistant Inspector General in charge of administration, management, and budget. To my immediate right is Michael Ryman. He is the Assistant Inspector General for Investigations. And to the far right is Jim McMullen, who is the Department's budget officer.

As I said, Inspector General Hyland could not be here today, but I believe we are fortunate in that the people who are present today are competent senior officials who, I am confident, will respond in a specific, informed fashion to your concerns.

Senator HARKIN. Now, if you have a statement, it will be made a part of the record in its entirety.

The Inspector General's Office is responsible for recommending policies to prevent and detect fraud, waste, and abuse in the Department of Labor programs, conducting audits and investigations, and reviewing legislation and regulations with the aim of making recommendations to the Department and the Congress.

As I said, your statement will be made a part of the record. I would like to have you give a brief summary of your budget request.

And I don't know if you were here when I was questioning Secretary Dole, but you probably heard my remarks on what I consider to be overpayments, a great deal of waste and abuse in the on-the-job training program, the padding of hours, going over the hours that are listed in the dictionary that you have in the Department of Labor. And I would be interested in any comments or observations you have about that one aspect. But other than that, go ahead and summarize your budget request.

Mr. MARIA. Yes; I would like to first summarize my statement, which will be part of the record, and then I believe we can be responsive to specific questions that you have raised.

Essentially the Office of Inspector General is responsible for conducting audits and investigations which are designed to detect and prevent waste, fraud, and abuse in Department of Labor activities and programs. Additionally, the Office of Inspector General in the Department of Labor is assigned the responsibility to investigate organized crime and racketeering influence in labor organizations and in pension and welfare plans.

We carry out our mission through four basic functions. Those are the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an executive direction and management activity.

The inspector general's 1990 budget request represents a net increase of $1,940,000 above the 1989 level. This budget does not provide for any additional staff or new activities.

OFFICE OF AUDIT

The Office of Audit request totals $24,922,000 and 253 FTE's. This amount includes $7.8 million in audit contracting funds to provide the equivalent of 317 staff-years of audit effort. During fiscal year 1990, audit coverage will be dedicated to the areas of unemployment insurance, the Job Training Partnership Act, the Program Fraud and Civil Remedies Act, information resources management and financial management in the Department of Labor.

OFFICE OF INVESTIGATIONS

The request for the Office of Investigations activity totals $7,975,000 and 111 FTE's. The Office of Investigations will emphasize activities that are significant in terms of recoveries and management improvements. The planned priorities will be directed to the areas of JTPA, Davis-Bacon, MSHA, and OSHA.

Despite the critical need for criminal investigation in these areas and the demonstrated successes by the Office of Investigations, the prior Solicitor of Labor attempted to limit the inspector general's investigative jurisdiction in some of these areas. We presently are attempting to resolve this issue and will keep the Congress informed as required by the Inspector General Act of 1978.

OFFICE OF LABOR RACKETEERING

The request for the Office of Labor Racketeering activity totals $9,901,000 and 128 FTE's. During fiscal year 1990, the Office of Labor Racketeering will continue its investigations of employee benefit plan abuses, labor-management relations violations, and internal union corruption. It will focus on those labor-intensive industries most vulnerable to racketeering. Among these are construction, trash, and waste removal and disposal, waterfront, garment, and the shipping industry.

Within the spectrum of racketeering violations, pension and welfare plan corruption will remain our highest investigative priority. Today the size of the employee benefit plan universe and the dollars contained in it, when compared to the present enforcement ap-

paratus, have presented racketeers with an invitation to larceny and abuse.

In addressing complex racketeering schemes, the Office of Labor Racketeering will increase expenditures for payoff solicitations, informants, undercover activities, and technical surveillances. Undercover operations provide exceptional opportunities to obtain evidence that could not otherwise be obtained through normal techniques. We plan to pursue more adequate funding in future years for these effective, but expensive techniques.

EXECUTIVE DIRECTION AND MANAGEMENT

The request for the executive direction and management activity totals $4,902,000 and 55 FTE's. This activity provides for the overall management direction and administrative support functions necessary to carry out the nationwide responsibilities of the Office of Inspector General on a timely and cost effective basis. This function also coordinates the inspector general's participation in the activities of the President's Council on Integrity and Efficiency.

PREPARED STATEMENT

Mr. Chairman, that concludes the summary of my remarks. I would be pleased to answer your questions.

[The statement follows:]

STATEMENT OF RAYMOND MARIA

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to discuss the Fiscal Year 1990 budget request for the Office of Inspector General in the Department of Labor.

As you know, this Office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Secretary and the Congress. Additionally, the DOL-OIG is assigned the responsibility and authority to investigate organized crime's influence and impact upon labor organizations and upon employee pension and welfare plans, and other labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you are aware, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Department of Labor's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. My staff helped to develop them, has reviewed them with me, and I hope many of them will wind up in the eventual compromise budget solution.

The 1990 Budget request of the Office of Inspector General as proposed by President Reagan, represents a net increase of

$1,940,000 above the 1989 level. This budget provides the increases necessary for our programs in Fiscal Year 1990.

The request for the Office of Audit (OA) activity totals $24,922,000 and 253 FTEs. This amount includes $7.8 million in audit contracting funds, which will enable the Office of Audit to provide the equivalent of 317 staff years of audit effort to review critical departmental programs and activities.

In Fiscal Year 1990, OA will maintain broad audit coverage of departmental program operations and management. OA will also continue to work with departmental management on audit-identified problems to improve program operations and service delivery. Substantial FY 1990 audit coverage will be dedicated to the areas of: Unemployment Insurance (UI); Job Training Partnership Act (JTPA); Program Fraud Civil Remedies Act (PFCRA); Information Resources Management (IRM); and Financial Management.

Audit coverage of other departmental programs and activities will reflect marginal changes. At the requested level, OA anticipates performing 283 audits, reviews, and studies, and issuing 416 audit reports under the Single Audit Act.

The request for the Office of Investigations (OI) activity totals $7,975,000 and 111 FTEs.

During Fiscal Year 1990, the OI will emphasize investigations that are significant in terms of recoveries and management improvements. OI will focus resources on priority areas to address the most significant problems in Departmental programs.

Planned investigative priorities will be directed to areas of JTPA, Davis-Bacon and related violations, and DOL employee integrity issues, especially within MSHA and OSHA. In addition, OI will continue to support and commit resources to U.S. Attorneys who have undertaken an aggressive approach to suspected criminal activity involving DOL program funds, especially in the contracting process. Additionally, OI will continue to investigate Unemployment Insurance fraud which is significant and characterized by sophisticated schemes that are conspiratorial and/or interstate in nature.

The request for the Office of Labor Racketeering (OLR) activity totals $9,901,000 and 128 FTEs.

OLR plans and implements an enforcement program to conduct investigations which are prosecuted by the U.S. Attorneys, U.S. Department of Justice Strike Force lawyers, and selected state prosecutors.

OLR's enforcement program is founded on the premise that organized criminal groups have penetrated certain labor unions

and used them as vehicles to pillage affiliated employee benefit plans and create criminal monopolies in labor intensive industries. Among these industries are: construction, waterfront, garment, trucking, waste removal and disposal and tourism.

A unique feature of this enforcement effort is its commitment to long-term investigative projects designed to reach beyond the most visible violations and perpetrators in order to remove the insulated persons who represent the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt areas in an effort to create a credible deterrent force.

The OLR will maintain the focus of the present program to investigate abuse of employee benefit plans and penetration of unions by organized crime and racketeering elements. Additionally, it will intensify its efforts in those industries that appear most vulnerable to influence and control by the racketeering element.

In the labor racketeering spectrum, pension and welfare plans represent an accumulation of liquid assets highly vulnerable to racketeering abuse. The organizational structure of some plans with limited internal controls, and trustees with unsavory backgrounds have created a system that invites larceny. In this regard, employee benefit plan corruption will continue to be the highest investigative priority of OLR.

For 1990 we expect to be expending an increasing amount of funds on such investigative operations as payoff solicitations, informant expenses, leasing of special space and equipment, technical surveillances, and undercover activities. We have long known that undercover operations provide exceptional opportunities for obtaining evidence that cannot be obtained through normal investigative techniques.

The request for the Executive Direction and Management (EDM) activity totals $4,902,000 and 55 FTEs.

The Executive Direction and Management activity provides for overall management direction as well as policy development, planning and review, resources management, legislative and regulatory assessment, personnel operations, financial management, as well as information and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

At this level, EDM will maintain its management oversight of OIG program operations and continue to provide the traditional array of administrative support functions, as well as initiatives in the ethics and integrity training and awareness areas, communications, and coordination of our

participation in activities of the President's Council on Integrity and Efficiency (PCIE).

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

BIOGRAPHY OF RAYMOND MARIA

Mr. Maria became the Deputy Inspector General for the Department of Labor on February 5, 1984. In this capacity, he assists the Inspector General in planning, directing, and coordinating audits and investigations of department-wide programs. He also provides primary executive direction to the Inspector General's Office of Labor Racketeering.

Mr. Maria began his business career as a management consultant with Ernst and Whinney in Cleveland, Ohio, in 1968 after 3-1/2 years as a Special Agent with the FBI. He transferred to the auditing staff and completed the firm's accelerated accounting and auditing program at Miami University at Oxford, Ohio, and acquired an accounting major that led to his becoming a Certified Public Accountant. He left the firm in 1972 to rejoin the FBI.

As a Special Agent and supervisory official with the FBI, Mr. Maria concentrated on organized crime and labor racketeering. He was responsible for the direction of the South Atlantic and Gulf Coast phase of the government's investigation of waterfront corruption and the International Longshoremen's Association from 1975 to 1979. He also supervised major investigative projects involving the trucking and trade show and exposition industries in the Chicago area. Mr. Maria is also the author of articles on pension and welfare plan abuses and labor racketeering enforcement.

He was assigned to the U.S. Senate Permanent Subcommittee on Investigations from 1980 to 1981, with responsibility for coordinating field investigations that were the basis for public hearings on waterfront corruption and on the abuses within the Teamsters Central States Pension Fund.

A 1962 magna cum laude graduate of John Carroll University with a B.S. in social science, he received a master's degree in psychological counseling from Ohio University in 1965. He is a member of the American Institute of CPA's.

Senator HARKIN. Thank you very much, Mr. Maria.

Mr. Maria, your statement said you indicate a desire to utilize new investigative approaches and techniques to assist you in completing complex investigations of highly sophisticated fraud schemes. What does that mean?

Mr. MARIA. That refers to the budget justification in the Office of Labor Racketeering, as well as to the Office of Investigations.

Mr. Chairman, today we are dealing with sophisticated economic and financial crime. We are dealing with individuals of high intellect who also possess substantial investment capital.

Essentially we need dollars to fight dollars. There is little dispute with respect to the results of investigations that can be obtained through undercover activities and electronic surveillance. These are costly undertakings, and essentially everyone applauds the results of a complex criminal investigation. I think it is important to understand how much these things cost.

I think we can perhaps give you a result which is noteworthy, and I would like to refer to the Lancaster battery case and perhaps have Mr. Ryman comment.

Mr. RYMAN. The Lancaster battery case was a case that we worked last year at the request of the U.S. attorney's office in Philadelphia.

This matter was originally brought to the attention of the Department through OSHA. OSHA had done a preliminary investigation and had come up with a fact pattern which was given to the Solicitor's Office and the Solicitor referred it to the Department of Justice, and through the pipeline, it came down.

The assistant U.S. attorney working the case requested that we take a look at the fact pattern, which we did. We, in effect, took a look at a fact pattern that had been looked at by OSHA and really reconceptualized it as a serious criminal violation as opposed to a compliance type of problem.

The fact pattern was outrageous. A man by the name of Mannix, who ran a battery company, was running an unsafe work place in that there were poisons and toxins in the area. In short, the scheme was that he dummied up reports that went to OSHA.

This was the first case that we know where the defendant in a job safety case was given jail time.

This involved a reconceptualization, a changing from one area of investigation to another. There are some learning curves involved.

And there is another example, the forerunner to JTPA, CETA. We just culminated an investigation in Gary, IN, which started in 1984. Literally this was an investigation involving a cast of thousands. Over 375 grand jury subpoenas were issued. Over 1,000 witnesses were talked to. We did this in conjunction with the U.S. attorney's office and the Internal Revenue Service Criminal Investigations Division.

The top functionaries in the Gary Manpower Administration literally committed a whole grocery list of crimes, almost a supermarket of crime, from racketeering, conspiracy, bribery, and mail fraud.

We don't know how much money was diverted from that program over the extended period of time. We do know, however, that the purchase of a liquor store, a restaurant, and other funds that were earmarked for the training program were embezzled and diverted for criminal purposes.

We used 4 full-time investigators on my staff in a region where I have 16 investigators. Also, Mr. Peterson provided audit support. We used computer technology such as it was at the time—and it has greatly improved—in manipulating data so that we could make the kind of analysis and synthesis and inferences that are necessary to put a very complicated fact pattern together that is understandable to a jury.

The U.S. attorney called upon us to devise audio-visual aids. These large blowups for courtroom purposes. They cost money.

So, the whole nature of the criminal activity in fraud against Government programs can be very, very complicated particularly in these types of programs, sir.

OJT EXCESSIVE TRAINING PERIODS

Senator HARKIN. Again, the Secretary said that she was going to get going on a process of looking at the excessive training periods. I want to get into that.

Has your office looked into this? And if so, what have you found? Now, we had the GAO up here. They did this investigation. I am wondering what did your office do on this, if anything?

Mr. MARIA. I believe Mr. Peterson can give you an informative response.

Mr. PETERSON. Well, we have done a considerable amount of work in the area, as I think you probably know. In addition to what GAO found, we found that 60 percent of those people providing OJT training, if asked would you provide it if the stipend was not available, if the subsidization was not available, said they would.

Senator HARKIN. Said they would?

Mr. PETERSON. Said they would. That's correct, sir.

So, in addition to the problem as outlined here, I think the piece of information that our report would add to this general area is that many of those people providing OJT training would provide it with or without assistance in the JTPA program.

Senator HARKIN. And 60 percent said they would provide it even without the 50-percent subsidy.

Mr. PETERSON. That's correct. That's on top, of course, of what you have outlined here in the GAO report.

Senator HARKIN. So, again, that calls out for an assessment of the program to see if we might have a better way of judging who is eligible for OJT, under what circumstances, if in fact employers are going to provide it anyway. If 60 percent are, then you are indicating that there is a lot more wasted taxpayers' dollars there than what I even thought of.

Mr. PETERSON. Well, it certainly suggests that the program is skimming the job-ready and placing the job-ready instead of working with the more difficult to place. I think that is clearly what the data shows.

FIXED UNIT PRICE CONTRACTS

Senator HARKIN. I was really shocked when the GAO came up and gave us this information about all the number of days. If it was a couple of days here, you wouldn't worry about it. But when it is double the time, and especially for some of the occupations like car washer and laundry worker, landscaper, day care worker—I mean, excess days are 50, 67, that kind of days excess. And that kind of waste has just got to be cut out.

Now, let me take up another part of the JTPA. The Inspector General's Office has been critical of the extensive use in the Job Training Partnership Act program of fixed unit price contracts which are used to pay contractors on a unit basis regardless of the contractor's actual experience and which result in the generation of unrestricted profits. Also, your office has criticized unit price contracts to circumvent limitation of administrative costs.

How much is being lost due to these abuses and what is being done to address them? And in the cases you have looked at so far, how frequently have profits exceeded 20 percent?

Mr. PETERSON. Well, sir, you're right. We have identified the use of fixed unit price contracting as a serious problem within the JTPA program.

Unfortunately, the precise impact of the use of these fixed unit price contracts is difficult to determine. Under ETA's current regulations, the practice is allowable and contractors are not required to retain records of revenues and expenditures. So, when you go in and try to document the actual case after the fact, it is essentially impossible.

And we do believe that controls should be instituted to eliminate profits for governmental units and to keep the profits at a reasonable level for profit making organizations. I will give you just a couple of examples of ones that we have looked at.

In one State a fixed unit price contract between State agencies provided for a potential profit of $1.15 million of a $4.9 million award, or 23 percent.

In yet another State we found an SDA had issued 20 fixed unit price contracts totaling $25.8 million which had an aggregate profit of $4.2 million. And that is only 16 percent. It doesn't meet your 20 percent, but 1 million here and 1 million there—it adds up.

Still another SDA awarded a fixed unit price contract that would allow a 90.7-percent profit to the contractor—90.7 percent. Out of a $68,800 contract, $62,400 was profit.

So, that's a couple of examples. We could go and provide more for the record.

REGULATIONS VERSUS LEGISLATION

Senator HARKIN. Can we handle this through regulations or do we need some kind of legislation then to address that?

Mr. PETERSON. We have contended that it could be handled through regulations, and we have been working with ETA. And let me say ETA has been receptive. I think that they are about ready to issue an interpretation of their current regulations that would be helpful. For instance, they have clearly said that the profits have to be returned to the program. So, in the case of nonprofit

organizations, the profits at least would have to accrue to the JTPA purposes.

So, I think that the interpretation would be helpful. And we have held it could be and should be handled through regulations. If we cannot get ETA to move far enough, then I think there is a possibility that we will need legislation.

FISCAL YEAR 1990 REQUEST

Senator HARKIN. There is only one last thing I wanted to cover with you. Let me get it fixed in my mind. For the different areas under your administration, I am just wondering what is the budget like this year compared to last year. Now, I was trying to add those up as I went through and the inspector general has a net increase of $1.9 million above it.

Mr. GERMAN. Yes; same level of staff. That's correct, 547 FTE's.

Senator HARKIN. What is the budget for that?

Mr. GERMAN. It's $47.7 million requested. That is the fiscal year 1990 request.

Senator HARKIN. Now, the Office of Audit activities is what now? What is the total that comes under the whole, the audit, inspector general, investigations, and labor racketeering? Those are the ones.

Mr. GERMAN. The grand total is $47.7 million requested for fiscal year 1990. The Office of Audit is $24.9 million requested for fiscal year 1990.

Senator HARKIN. Which office is it that would look into things like on-the-job training, that activity? Which one?

Mr. GERMAN. The Office of Audit would do basically that audit work, the things we have been talking about, looking at fixed unit price contracts. That has been Office of Audit activity. In events like the Gary Manpower investigation, that's a combined effort of the Office of Investigations with support from the Office of Audit.

Mr. MARIA. Consistent with the act, Mr. Chairman, the audit function and investigative function are closely coordinated programs. As the audit process evolves, many times, as you would expect, there are irregularities, items that can't be reconciled, suggestive of perhaps fraud, and that becomes the responsibility of Mr. Ryman and his colleagues.

Senator HARKIN. And that is the biggest part of the thing is the audit.

Mr. GERMAN. The Office of Audit, yes, sir.

Senator HARKIN. I have some other questions for the record that we will submit to you. Please, if you would answer those in writing for the record.

I have nothing else I wanted to go over with you specifically this afternoon. Is there anything else that any of you wanted to bring up?

Mr. GERMAN. If you would like additional information on this JTPA work we have already done—we have already provided information to staff—we will be happy to provide additional information at the committee's request.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. What I want to know is can it be handled with regulations, and if so, we are going to follow up and see what kind of regulations are forthcoming on that. Obviously, it would be better if you can handle it through regulations. It is better than trying to weave through this legislative process.

Well, again, thank you very much for appearing here today, and we will get those questions to you in writing.

Mr. MARIA. Thank you, Mr. Chairman.

Senator HARKIN. Thank you, Mr. Maria.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ORGANIZED CRIME

Question. I understand you are working on a number of significant cases involving racketeering and organized crime.

Can you give us a couple of examples?

Answer. The following are examples of significant OLR cases:

First United Fund, New York, New York

Martin J. Schwimmer, a pension plan investment advisor, was convicted on October 28, 1988, on 86 counts of criminal activity including racketeering, embezzlement, and kickbacks. Schwimmer and Mario Renda, the president of First United Fund who earlier pled guilty to racketeering and corporate tax evasion, had been charged in the embezzlement of over $14 million from the employee benefit funds of the Sheetmetal Workers Local 38 and Teamsters Local 810. First United was at one time the country's largest money brokerage house. Through First United, the benefit funds invested over $100 million in long-term jumbo certificates of deposit issued by small banks and savings and loans across the country. Renda and Schwimmer diverted more than $14 million, of which Schwimmer received approximately $12 million, in commission payments from the banks to a series of off-the-books accounts that were concealed from the auditors of First United and the two benefit plans.

This scheme was facilitated by Schwimmer and a third defendant, Joseph DeCarlo, vice president of First United, who was convicted in a conspiracy to pay off a Local 810 official to influence the placement of Local 810 employee benefit plan investments.

As a result of Schwimmer's conviction, he was sentenced to 10 years imprisonment, a fine of $1,620,000, forfeiture of $4.5 million, payment of back taxes of $10 million, and 5 years probation contingent upon payment of taxes due. Renda was sentenced to 4 years in prison, a fine of $125,000, and 5 years' probation contingent upon payment of his corporate income tax. Upon their release from prison, Schwimmer and Renda are barred for 13 years from being a service provider to any employee benefit plan. Under provisions of the racketeering statute, Renda paid a forfeiture of $4.25 million and entered into a judgment with the FDIC in the amount of $9.9 million. De Carlo was placed on probation for five years, ordered to give 500 hours of community service, and fined $10,000.

Wedtech Corporation, New York, New York

On October 18, 1988, Richard Stolfi, former Teamster Local 875 secretary-treasurer, and Frank Casalino, former Local 875 business agent, were convicted on charges of racketeering, racketeering conspiracy, and soliciting kickbacks to

influence the operation of Local 875 and its related benefit plans. In compromising the integrity of their union positions, Stolfi and Casalino received approximately $360,000 from Wedtech officials. This $360,000 total included payments of $235,000 for labor peace, $100,000 for allowing the use of nonunion labor on the Wedtech construction site, and $25,000 for favorable terms in a 1983 collective bargaining agreement. Stolfi was also convicted in separate embezzlement and fraud schemes.

A separate phase of this investigation resulted in the conviction of U.S. Congressman Mario Biaggi and four codefendants on charges involving illegal payments made by Wedtech officials to influence the awarding of Department of Defense and other government contracts. The illegal payments were disguised through sham stock purchase agreements and legal fees.

Asbestos Removal Contractors, New York, New York

While conducting a labor racketeering probe of the New York City construction industry, the Office of Labor Racketeering uncovered widespread corruption in the asbestos removal industry. This three-phased investigation involves the bribery of government inspectors, illegal payments by asbestos removal companies to inspectors and bidrigging, and the receipt of illegal payments by union officials.

In September 1986, a U.S. Environmental Protection Agency inspector was arrested for the accepting a bribe and began cooperating with OLR Special Agents. As a result of the inspector's cooperation, to date 24 individuals have been charged with bribing and paying gratuities to the inspector to overlook violations of federal asbestos removal procedures by the defendants' companies and to stay away from the job sites where asbestos removal was being conducted. Seventeen of those charged have been convicted and three have been acquitted or dismissed.

The third and final phase involves the anticipated prosecution of union officials for the receipt of prohibited payments from those asbestos removal company executives convicted in phase two. The ongoing investigation has developed evidence that union officials received illegal payments.

South Florida Hotel and Culinary Employees Welfare Fund, Miami, Florida

Miguel Recarey, owner of International Medical Center (IMC), one of the country's largest health maintenance organizations (HMO) providing care to Medicare beneficiaries; Antonio Fernandez, a former president of the Hotel and Restaurant Employees International Union Local 355, and two associates were indicted in a kickback scheme involving the South Florida Culinary Employees Welfare Fund. The scheme involved

the payment of approximately $115,000 by Recarey to Fernandez and his associates for their influence in helping IMC obtain a 5 year contract with the Local 355 benefit plan for the provision of medical services. The illicit payments were laundered through Recarey's brother and by the placement of Fernandez's son on the IMC payroll.

Under the medicare contract, IMC received $30 million per month for approximately 130,000 medicare beneficiaries. Part of the motivation to secure the approximately 8,000 Local 355 members was to meet a requirement of the Health Care Financing Administration that at least 50 percent of the HMO's participants be nonmedicare patients.

Fernandez and the two associates were convicted in December 1987. Miguel Recarey is currently a fugitive.

As a outgrowth of this investigation additional indictments were returned against Recarey for fraud against the government, wiretapping, eavesdropping, and failure to appear for trial.

Employee Benefit Plan Service Provider Project

In September 1988, seven grand jury indictments were unsealed in five cities following a 2-year undercover investigation by the Office of Labor Racketeering and the Federal Bureau of Investigation. The joint undercover investigation, code named "Dentex," focused on corruption in the provision of health care services to employee benefit plans. Angelo Commito, a San Francisco health care executive, is named in six of the seven indictments. Ten other individuals are also named.

The several schemes involve the alleged defrauding of the Munford Corporation, a merchandise retailer based in Atlanta, Georgia, and National Semiconductor Corporation of Santa Clara, California. This was done by paying undercover government agents posing as representatives of Munford Corporation and National Semiconductor to award their optical, dental, and drug and alcohol abuse counseling programs to Commito's companies.

One of the indictments involved William Hainesworth, a former administrator of the Plasters and Cement Masons Local 803, welfare fund in Dupage County, Illinois. In December 1988, Hainesworth pled guilty to embezzling $62,484 from the fund and falsifying fund records. Hainesworth schemed to defraud the fund by executing dental and optical care contracts without authorization and concealing the existence of these contracts from the fund's trustees and participants. One of the contracts involved a Commito company.

Commito and two associates have been acquitted in one of the indictments. Trial is pending for the remaining six indictments. Investigation into other aspects is continuing.

New Bedford Fishing Industry, Massachusetts

The Office of Labor Racketeering has engaged in a long-term investigation involving the New Bedford, Massachusetts, fishing industry. Collective bargaining agreements for the New Bedford fishing industry state that contributions to the health and welfare fund will be based upon the gross receipts of the vessel.

OLR's investigation has shown that millions of dollars in cash were being generated from the area's banks and used by fish buyers, called "night riders," to purchase fish from both union affiliated and non-union fishing vessels. The income from these cash sales, known as "shack," is typically not reported by the fishermen or boat owners to the Internal Revenue Service, or, in the case of union affiliated boats, to the New Bedford Fisherman's Health and Welfare fund. Boat owners thus defraud the Internal Revenue Service of taxes and the health and welfare funds of contributions due.

To date, three fishing vessel companies, four company officials, and a national bank have been convicted in this scheme. Losses to the funds are estimated at between $1-2 million annually.

This investigation has also uncovered evidence of drug smuggling, money laundering, tax evasion, strike related arsons, and currency reporting transaction violations. It has also led to the arrest of a homicide suspect.

Teamsters Local 507 and Bakery Workers Local 19, Cleveland, Ohio

Harold Friedman, president of Cleveland Teamsters Union Local 507 and Bakery Union Local 19, and Anthony Hughes, recording secretary for Local 507 and business agent for Local 19, were convicted on January 13, 1989, on racketeering charges involving embezzlement of over $700,000 from the two locals. Friedman, who is also a vice president of the International Brotherhood of Teamsters, and Hughes had been indicted in a May 1986 indictment that had included Jackie Presser, who was secretary-treasurer of Local 507 and president of the International. Presser died in July 1988, three months before the trial began. The embezzlement was accomplished by maintaining three employees, who did not work, on the payrolls of the locals. The employees identified as "no shows" or "ghost employees" were Allen Friedman (Presser's uncle), Jack Nardi, and George Argie. They were named as co-conspirators but were not indicted. Additionally, Harold Friedman and Hughes were convicted of embezzling $17,000 from Bakery Union Local 19 to pay Hughes a salary for which he performed no work.

Mid-Jersey Trucking-Teamsters Local 701 Pension Plan, North Brunswick, New Jersey

David Friedland, mastermind of a fraud scheme involving $20 million in investment money of the Mid-Jersey Trucking Industry-Teamsters Local 701 Pension Fund in East Brunswick, N.J., pled guilty September 29, 1988, to racketeering conspiracy. Friedland's plea culminated the major portion of a massive racketeering investigation that led to the 1985 conviction of Joseph Higgins, owner of the Omni Funding Group, Inc., of Ft. Lauderdale, Fla., and the 1986 convictions of two of the fund's trustees, the general counsel, and an associate of Friedland's. The conviction violations included racketeering, racketeering conspiracy, kickbacks to influence the operation of a benefit plan, mail fraud, and falsifying records required under the Employee Retirement Income Security Act. Friedland, a fugitive from justice since 1985, was captured in December 1987 in the Maldives, an island country in the Indian Ocean and extradited to the United States to began serving a 7-year sentence from a previous conviction and to stand trial. A former New Jersey state senator, Friedland had been the fund's counsel prior to 1980 when he was convicted for embezzlement from the same pension fund.

In 1982, Omni had a contract from the fund to invest $20 million in first and second mortgages. Higgins' hidden partner in the ownership of Omni was Friedland, who was prohibited from serving in an employee benefit plan because of a previous conviction involving embezzlement from the same benefit plan. Multifarious strategies were employed by the defendants to defraud the fund of the investment money, including granting loans to Higgins and Omni and concealing them from newly assigned trustees to the fund, granting loans that were barred by the agreements with the fund, and using reserve money to make loans that were in default appear to be current. As of Friedland's sentencing on December 2, 1988--to 15 years in prison and a fine of $25,000--the fund had lost over $10 million. The defendants made over $3 million.

Civil RICO Cases

Employing both criminal and civil methods of redress, the Office of Labor Racketeering has devoted considerable resources to investigations leading to the government's filing of civil suits under provisions of the Racketeer Influenced and Corrupt Organzations (RICO) statute.

-- In June 1988, a civil RICO suit was filed against the 18-member General Executive Board of the International Brotherhood of Teamsters (IBT) and 26 persons alleged to be major La Cosa Nostra members and associates. Within the last 8 years, 25 of these 26 defendants had been convicted of Teamsters-related crimes, including murder, racketeering, illegal labor and benefit fund payoffs, embezzlement of union funds, and extortion through threats of labor problems. The

civil complaint charged that the executive board had allowed the IBT to be corrupted by organized crime members. On March 14, 1989, the court approved an agreement between the government and the Executive Board. Major provisions include direct election of the international officers by rank-and-file members by secret vote; appointment of an independent administrator, an investigations officer, and an elections officer to oversee the 1991 elections; and a three-member review board to replace the above listed officers after the 1991 elections. Nine of the defendants, including three IBT vice presidents, had signed consent judgments agreeing to remove themselves from any dealings with the IBT prior to the approval of the agreement.

-- A chief liaison officer was appointed by a U.S. District Court judge as the principal enforcement officer in a "decreeship" imposed on Roofers Union Local 30/30B of Philadelphia, Pennsylvania, on May 23, 1988. The court also ruled that the December 21, 1987, union election would remain in effect until further court order. The court action resulted from a suit filed by the U.S. Attorney's Office under the civil provisions of the RICO statute.

The civil RICO suit was based on the findings of a 3-year investigation by OLR and the FBI that the union was run by violence and intimidation aimed at contractors and union members alike. The court agreed with those findings and ordered the 13 individual defendants, all former Roofers officials, barred until further court order from holding or controlling any leadership position or influence in local 30/30B or any of its affiliated entities. The civil suit sought a trusteeship for the union, but the court rejected that idea in favor of a "decreeship" with 22-court ordered provisions that are being enforced by the court liaison and any appropriate deputy liaison officers. The provisions affect the daily and financial business of the union and its affiliated entities.

JOB TRAINING PARTNERSHIP ACT

Question. You have been critical of the extensive use in the Job Training Partnership Act program of fixed unit price contracts which are used to pay contractors on a unit basis regardless of the contractors' actual cost experience and which result in the generation of unrestricted profits. Also, you have criticized unit price contracts to circumvent limitation of administrative costs.

How much is being lost due to these abuses and what is being done to address these issues?

In the cases you've looked at so far, how frequently have profits exceeded 20 percent?

In your opinion, is legislation needed to curb abuses with fixed unit price controls?

Answer. As we will explain below, a determination of the amount lost due to abuses allowed by the JTPA regulation authorizing fixed unit price contracting is virtually impossible due to a lack of contractor and SDA records.

Where records related to profit levels happened to be available, we found in one state, an FUPC between state agencies provided for a potential profit of $1.15 million on a $4.9 million award, or 23 percent. In yet another state we found an SDA had issued 20 FUPCs totalling $25.8 million which had an aggregate profit of $4.2 million, 16 percent of the amount awarded. Still another SDA awarded an FUPC that would allow a 90.7 percent profit to the contractor: out of $68,800 contracted, $62,400 was profit.

We believe the use of fixed unit price contracting, as permitted by the Employment and Training Administration, to be a serious problem in the JTPA program. We have strongly recommended to ETA that 20 CFR 629.38(e)(2), the JTPA regulation authorizing single-unit charging of fixed unit price contracts as 100 percent training costs, be eliminated. OIG has taken this position because we believe the regulation has no basis in law and it allows program operators to violate two separate sections of statute. These sections require that no more than 15 percent of funds be expended for the costs of administration (Section 108) and that records be kept which permit tracing of expenditures to insure they were not spent unlawfully (Section 165). These issues are particularly significant when considering that an estimated 50-70% of the approximately $1.8 billion in Title II-A funding is expended via FUPC's.

If on the other hand 20 CFR 629.38(e)(2) was to be retained, we recommended that clarifying language and accompanying standards for accountability and control over use of fixed unit price contracting be amended into the JTPA regulations. These standards would require recordkeeping to identify profit levels, contract performance and contractor expenditures. They would also institute procurement controls to assure economic and efficient purchasing through such contracts and to keep profits at a reasonable level. These standards would also require that profits generated by governmental and non-profit entities under such contracts be treated as program income and used to further program objectives. However, another alternative would be elimination.

In response to OIG's reports and comments, and a growing awareness of problems associated with fixed unit price contracting, ETA published for comment both an options paper for DOL action and a proposed interpretation of 20 CFR 629.38(e)(2). ETA's final interpretation was released March 13.

OIG actively commented on ETA's actions throughout the policymaking process but consistently maintained that an "official interpretation" issued as guidelines to the JTPA system was inadequate where regulatory amendment or elimination was called for.

ETA's primary reason for not eliminating 20 CFR 629.38(e)(2) is that the move "would be profoundly disruptive to the JTPA system, both philosophically and practically".

ETA has suggested in its final issuance that "any decision to return to mandatory allocation of all contract costs, including those written as fixed unit price, performance-based agreements would . . . occur most appropriately at the time of future legislative amendment. . . ." OIG would suggest that Congress has already spoken regarding the allocation of costs and the accountability for expenditures, and ETA should take action now.

OIG is in the process of preparing an overall position paper on the problems associated with fixed unit price contracting in JTPA. This paper should be completed by April 15, 1989.

JOB CORPS

Question. You recently reported a number of serious problems in the Job Corps program. These included overstated program results, inadequate documentation of enrollee eligibility, questionable placement outcomes, inefficient and outmoded systems for processing enrollee allowances, and program abuse by a Job Corps contractor.

What actions have you recommended that Job Corps management take to ensure that these serious deficiencies are corrected?

Answer. The IG has worked very closely with Job Corps management to correct many of the problems we identified. Overall, Job Corps management has been very responsive to the IG's recommendations and has called upon my office for technical assistance in effecting corrective action. Specifically,

Program Results -- Job Corps is currently confirming most recent-year data and has contracted to analyze cost and output. A prototype program statistics report which will display a comparison of program costs against program accomplishments is being developed for our review.

Eligibility -- We found that Job Corps could not document the eligibility of many of its enrollees. As a result of our recommendations to streamline and improve the process, a complete evaluation of the system is currently underway.

Placements -- Job Corps has revised its placement contracts to provide incentives for complete and accurate reporting. In addition, OIG and Job Corps have agreed upon criteria and methodology to use in a joint effort to sample Program Year 1987 placements.

However, OIG continues to be concerned that Job Corps has declined to establish retention criteria by specifying a minimum length of time in employment, we feel it is not unreasonable to expect a minimum length of employment upon completion of training, to define a successful placement.

Allowances/allotments -- We reported to Job Corps that in the management of payments of allowances, allotments and travel expenses for its enrollees in many areas must be strengthened and modernized to adequately control the systems.

OIG is providing technical assistance to Job Corps management to improve the Job Corps enrollees' allowance system by developing or updating policies and procedures for Job Corps members' attendance, leave and allowance systems, developing performance monitoring reports, implementing a new ADP system, and training staff.

Program Abuse -- OIG responded to an allegation from Job Corps management about program abuse by one of its contractors. Our work indicated that the contractor flagrantly violated program regulations and failed to meet critical contractual performance standards. The result was overpayments to enrollees, distorted performance statistics and poor program completion rates. Job Corps continues to closely monitor the operations of all centers currently managed by the contractor. For one center with particularly poor performance, Job Corps did not exercise the contract's option year. For a second center the contractor has begun major corrective action and measurement statistics show performance improvement.

PROGRAM FRAUD CIVIL REMEDIES ACT DETERS FRAUD

Question. The Program Fraud Civil Remedies Act of October 1986 provides federal agencies with an expeditious and economical means to seek administrative remedies for losses to federal programs resulting from false, fictitious, and fraudulent claims of less than $150,000.

Because this Act serves as another deterrent against fraud and abuse, we are concerned that the Department may not be acting as expeditiously as it should be on several cases that were referred to the Solicitor's Office about 6 months ago. Could the Department provide us with information on the status of any actions taken under this Act?

Answer. The Office of Inspector General forwarded four Program Fraud Civil Remedies Act cases to the Solicitor's Office within the past six months. During that time the Solicitor took several steps to ensure that the Department would vigorously and effectively litigate cases under this important statute. First, he hired an attorney to work on his immediate staff on program fraud matters. Second, he developed and instituted procedures and guidelines for the Department's trial attorneys to follow when analyzing and trying program fraud cases. Third, to further assist program fraud trial attorneys, his staff prepared substantive legal memoranda on important program fraud issues. Finally, he arranged for the Department's Regional and Associate Solicitors who head the offices that will litigate program fraud cases to meet in Washington, D.C. to discuss how these cases should be analyzed and tried. After these important steps were taken, all pending cases were forwarded to the appropriate trial offices so that they could be analyzed and, if warranted,

prepared for litigation. One of these cases has been reviewed by a trial attorney and additional information is being sought from our Office. We expect that the reviewing official will receive this case in the near future. The three remaining cases are under active review by the Solicitor's trial attorneys.

EMPLOYEE MISCONDUCT

Question. This Administration has expressed concern with ensuring all government employees display the highest degree of integrity and standards of conduct in the performance of their duties. Can you briefly describe any significant examples of investigations involving employee misconduct or other integrity issues?

Answer. High ethical conduct of Department of Labor employees, or those persons acting in an official capacity directly with DOL, is of utmost concern to me, as disclosures of employee misconduct damage the reputation of all federal employees. In an effort to retain and stress the highest levels of integrity within DOL, OIG routinely joins with the Office of the Solicitor in providing department-wide employee ethics and integrity awareness training. We prepared and issued "An Ethics Handbook for Department of Labor Employees" in December 1988. However, sometimes during the course of administering the Department's many benefit, compliance, and enforcement responsibilities, there is a breakdown in the ethics and integrity areas.

Examples representative of recent investigations involving ethics and integrity issues are as follows:

In April of last year, a former district director of the Office of Labor Management Standards in Tennessee, received an 18 month prison sentence with 6 months to serve and 12 months probation after pleading guilty to a criminal contempt charge. The charge resulted from an investigation which disclosed he had provided protected grand jury information to a local newspaper reporter who then used the information for a news article. At sentencing, the judge involved admitted that the harsh sentence was a difficult one to make considering the employee's excellent past performance and career; that he had gained nothing financially from this disclosure; and that he had voluntarily retired from government service. However, the judge stated that the security of the grand jury system had to be observed, especially by those in management positions. (U.S. v. Ward; W.D. TN).

In a similar, but unrelated investigation, in December 1988 an investigator from the OLMS office in Minneapolis, MN, was charged with contempt of court in an Information filed in the Eastern District of Wisconsin. The investigator was the OLMS case agent in a grand jury investigation relating to alleged criminal offenses by union officials from a local of the International Union of Operating Engineers. As the OLMS case agent, he had access to grand jury information, which the

Information charged he made unauthorized disclosure of to another individual. On December 13, the employee executed a plea agreement in which he would plea guilty to the charge. On March 14, he was sentenced to pay a fine of $1,000.00. (U.S. v. Gupton - E.D. WI)

A former MSHA inspector was sentenced in Roanoke, VA, in September 1988 to two years imprisonment, with one year to serve, three years probation, fined $1,000, and ordered to make restitution of $500 after pleading guilty to an Indictment which charged him with soliciting and accepting cash payments or gifts. An OIG investigation disclosed that the employee had received approximately $10,000 in cash or other items of value from various coal mine operators over which he had official inspection responsibilities. (U.S. v. Jessee - W.D. VA)

Another OIG investigation of employee misconduct resulted in the August 1988 indictment of an OWCP bill payer in Dallas, TX. The indictment charged the bill payer with seven counts of false statements in a scheme, detected by OWCP through their medical payment monitoring system and reported to OIG, which involved the alleged fabrication of medical bills by the employee. Through the scheme, the employee is alleged to have embezzled approximately $42,800 by causing eight U.S. Treasury checks to be generated and sent to a post office box which he rented. If convicted, the employee could face a maximum sentence of 35 years imprisonment and fines totalling $70,000. (U.S. v White - N.D. TX)

OSHA CRIMINAL PENALTIES

Question. In October 1988, the Committee on Government Operations issued a report critical of OSHA's non-use of criminal penalties for safety related violations, citing that the OSHA Act contained only misdemeanor criminal violations; and that there was a reluctance by OSHA and the Justice Department to pursue criminal prosecutions in workplace safety cases. The report concluded, "there is a need for OSHA to be more aggressive and timely in using available criminal sanctions."

How can OIG aid in the improvement of this situation?

Answer. The investigation of the Lancaster Battery case is a prime example of how OIG can assist in the improvement of the working conditions faced by the American worker through use of an innovative investigative/prosecutive theory. In this instance, OSHA, in 1985, conducted an inspection at the Lancaster Battery Company, Inc., Lancaster, Pennsylvania, based on a referral from an employee's physician who reported a high level of lead in the employee's blood. OSHA completed its inspection and sampling in August 1985 and, a month later, issued several citations alleging willful violations of recordkeeping and lead standard requirements, serious violation of the arsenic standard, and 10 other-than-serious violations. OSHA proposed penalties totaling $55,000, which Lancaster Battery contested and subsequently settled with the agency for $37,200. At the same time, OSHA

recommended to the DOL Solicitor's Office that the Department make a criminal referral to Justice.

In late 1986 at the request of the U.S. Attorney in Philadelphia, OIG was brought in to conduct a thorough criminal investigation of this matter. OIG made its referral for prosecution to the U.S. Attorney in June 1987 and agreed to coordinate with the Department of Defense on an unrelated investigation of Lancaster Battery on procurement fraud charges. Using an approach which focused on violations of Title 18, rather than Title 29, OIG was able to prove that Stuart C. Manix, former president of Lancaster Battery, submitted false or altered air and employee blood lead test results to OSHA. Manix was charged in a four count criminal information charging violations of Title 18, USC, Section 1001, False Statements; in October 1988 he plead guilty to all four counts; and in December 1988 he was sentenced to serve 2 1/2 years in prison, followed by five years probation, and ordered to pay fines totalling $30,150. This case represents the first criminal prosecution directly related to OSHA violations in which the defendant received a jail term. (U.S. v. Manix - E.D. PA)

ANNUAL FINANCIAL REPORT

Question. One of former Secretary McLaughlin's last official acts was publishing an Annual Financial Report for the Department for Fiscal Year 1987. The report was similar to annual reports issued by major corporations and contained narrative and graphic presentations of Departmental programs as well as audited financial statements signed by you.

Does the Department plan to continue such a report?

Answer. My Office will continue to produce audited financial statements similar to that provided in the FY 1987 Financial Report. Such a report reinforces the Department's accountability and stewardship to the public. I understand that a number of federal agencies have issued such reports but that the Department of Labor is the first cabinet level department to do so. I am pleased that we are in the forefront on this. At this time, the style, format and distribution of the FY 1988 Annual Financial Report have not been determined.

SOLVENCY OF UNEMPLOYMENT INSURANCE SYSTEM

Question. The Department of Labor is charged with assuring that the state-operated and federally administered Unemployment Insurance system remains solvent and operating as intended.

What is the OIG doing to assure that the UI system remains healthy?

Answer. The Office of Inspector General has been very involved in identifying the need for an Unemployment Insurance Quality Control (QC) system as well as in the development of a Quality Control system.

The Unemployment Insurance quality control system was designed to be a diagnostic tool for the use of federal and State Employment Security Agency (SESA) staff in identifying errors and potential problems in the system, and in providing solutions to deficiencies.

The primary federal responsibilities are to ensure system integrity through the monitoring of SESA activities, and to assess the impact of federal requirements on various participants in the UI system through the analysis of QC data. Our plan is to provide a continuous monitoring of UI Quality Control efforts as performed by the various state agencies.

In addition to that ongoing effort, the Office of Audit is conducting a follow-up to a report issued in 1985 which reported on the degree of experience rating used in determining the UI tax rates for employers. The objective of this work is to address the remaining open recommendation of the previous work regarding a reconciliation of SESA UI Trust Funds to verify the accuracy of the Employer Rating Index (or tax).

OCCUPATIONAL SAFETY AND HEALTH

Question. What is the Inspector General's Office doing to ensure that complainants who report job safety and health violations in the workplace are adequately protected from reprisal?

Answer. We conducted a limited review this past year of the Occupational Safety and Health Administration's (OSHA's) Discrimination Complaint Investigation Program. We found that, generally, the program was adequately controlled and carried out in accordance with OSHA policies and procedures; however, we determined the legislatively mandated timeframes for making determinations on complaints were not being met in a significant portion of cases, and that improvements are needed in the case tracking and reporting systems. We discussed our results and related recommendations in a letter report issued to OSHA in February 1989.

OSHA has initiated corrective actions on both issues. However, the timeframes for OSHA's implementation of improvements have slipped and we believe OSHA needs to give higher priority to meeting its responsibilities for timely action in this area.

WORKERS' COMPENSATION CLAIMS

Question. The Federal Employees' Compensation Act (FECA) is the sole form of workers' compensation available to Federal employees who suffer on-the-job injury or occupational disease. The FECA system is widely perceived as slow in processing claims.

Has the Inspector General's Office looked into this continuing problem?

Answer. Yes, we have. We conducted a review to analyze the Federal Employees' Compensation Program operations, with

particular emphasis on identifying causes for delays in processing injured employees' lost wage benefits. We shared our results in an August 1987 report to the Assistant Secretary for Employment Standards.

Although we found that, overall, the majority of claimants were adequately served by the system, our review disclosed that claimants who filed for lost wage benefits (8 percent of our sample) frequently experienced delays in receiving benefits for periods of temporary disability.

We made several recommendations for actions to improve the timeliness of the FECA claims processing system, including improved communications with employing agencies and claimants, shortened response time to requests for information, improved employing agency assistance to injured employees in submitting information related to claims, and strengthened procedures for monitoring employing agencies' performance.

ESA management generally agreed with our recommendations. Based on management's thoughtful response and subsequent actions to improve communications and training, target employing agencies for technical assistance and emphasize timely claims processing, we consider our recommendations fully implemented. Also, at ESA's invitation, we briefed employing agency representatives on the results of our review.

OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS

Question. The Office of Inspector General recently issued a major report on the Office of Federal Contract Compliance Programs (OFCCP), which is responsible for ensuring nondiscrimination and affirmative action by Federal contractor establishments.

What were the report findings and what did you recommend to improve DOL's efforts to protect workers under Federal contracts from discrimination?

Answer. We issued a report to the Assistant Secretary for Employment Standards on September 28, 1988. A major finding is that enforcement regulations have been weakened by oral policies and procedures originating at the OFCCP national level. We recommended that OFCCP pursue regulatory changes to formally promulgate the definition of, and acceptable methods for, measuring the underutilization of protected group members in a contractor's workforce.

We also found that OFCCP had made a practice of excluding a number of Federal contractors from its standard review selection criteria based on their participation in one of several self-monitoring plans sanctioned by OFCCP. We recommended that, to ensure all Federal contractors are treated equally, any agreements which result in the exclusion of Federal contractors from OFCCP's standard review selection criteria be rescinded.

Although OIG and ESA/OFCCP have reached agreement on some of the findings and recommendations discussed in our report, other issues are still under discussion.

SUBCOMMITTEE RECESS

Senator HARKIN. The subcommittee will stand in recess until the next hearing on March 10 at 9 a.m. in room 192 of Dirksen. At that time we will hear testimony from a number of the related agencies, Railroad Retirement Board, ACTION, National Council on Disability, Federal Mediation and Conciliation Service, National Mediation Board, Federal Mine Safety and Health Review Commission, Occupational Safety and Health Review Commission, tomorrow morning at 9 o'clock.

[Whereupon, at 4:58 p.m., Thursday, March 9, the subcommittee was recessed, to reconvene at 9 a.m., Friday, March 10.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

FRIDAY, MARCH 10, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:08 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin and Stevens.

RAILROAD RETIREMENT BOARD

STATEMENT OF WILLIAM J. DOYLE III, INSPECTOR GENERAL, RAILROAD RETIREMENT BOARD

OPENING REMARKS

Senator HARKIN. The Subcommittee on Labor, Health and Human Services, Education and Related Agencies will come to order.

This morning will be the second of 13 regular hearings to take testimony from the several agencies that are funded through this subcommittee. This morning we will hear testimony from eight independent agencies that are funded by title IV of our appropriations bill.

The largest of the eight agencies that we will hear from today is the Railroad Retirement Board. The Railroad Retirement Board has requested $339,660,000 in budget authority for fiscal year 1990 and manages nearly $8 billion in railroad trust fund assets, making it a very large and significant operation.

Last Tuesday, the committee held its kickoff hearing of the 101st Congress on the subject of fraud and waste in the Medicare program. I intend this year to make a theme of fraud, duplication, mismanagement, overlap in Federal spending.

And I was struck by the material provided by the inspector general of the Railroad Retirement Board. Mr. Doyle, the Inspector General of the Railroad Retirement Board, has 881 cases under active investigation, up from 282 in 1986. There has been a 212-percent increase of the number of cases under investigation since 1986. Additionally, the dollar amount involved in these cases has more than tripled since last year when the total dollar amount of

fraud being investigated was about $3 million. This year it is $10 million.

It seems that fraud cases are being discovered at an increasingly rapid rate at the Railroad Retirement Board, and I want to discuss that situation this morning.

I was particularly struck by the fact that there have only been five potential Medicare fraud cases referred in the last 10 years by the Medicare contractor that handles all of the railroad retirees. Last week we heard from three Medicare contractors that referred an average of 33 cases every 18 months. I am concerned also that there are a significant number of undetected and unreported cases particularly in the Medicare area.

The inspector general investigates cases of disability. We'll hear this morning about a case of one individual receiving disability payments for 10 years during a period when he was gainfully employed as a State public health investigator.

We will hear the inspector general tell us of a case of retirement fraud where an individual continued to forge her deceased mother's name and receive her mother's annuity check for 34 years after her mother died.

We'll hear cases of individuals who filed for unemployment benefits and claimed over 500 days of unemployment benefits while, in fact, they were working. We will hear of these cases and more.

As the inspector general, Mr. Doyle is charged with the responsibility of rooting out abuses like these that often occur in the various programs of the Railroad Retirement Board. We would like to begin this morning's hearing by receiving the testimony of Mr. Doyle. Mr. Doyle, welcome to the subcommittee. We will include your full statement in the record. We would appreciate it if you would provide us right now with an oral summary. As I said, we have eight this morning, and I would like to get this wrapped up before the morning ends.

Following Mr. Doyle's appearance before the committee, we will hear from the Chairman of the Railroad Retirement Board.

So, Mr. William Doyle, inspector general of the Railroad Retirement Board, welcome and please proceed.

STATEMENT OF WILLIAM J. DOYLE III

Mr. DOYLE. Thank you, Mr. Chairman. I appreciate the opportunity to appear here before the committee to speak on behalf of our 1990 budget for the Office of the Inspector General [OIG]. I would like to submit my testimony for the record and make a few remarks to the committee.

The OIG has statutory audit and investigative oversight responsibility for the $6.7 billion paid out yearly to nearly 1 million beneficiaries. I strongly support the administration's budget of $4 million and 75 FTE's.

The goals of the inspector general at the Railroad Retirement Board are basically to ensure the integrity of the trust funds, the timely and accurate payment of benefits, provide recommendations that promote efficiency in Board operations, and finally work closely with Board members and office heads to aggressively seek and

eliminate fraud, waste, and abuse that exists in the benefit programs.

In the last 2½ years we have recovered $238 million through a comprehensive audit program, recovered $1.6 million in fines and restitutions, referred about 500 cases to U.S. attorneys nationwide, had 66 convictions, and averaged $2.8 million in savings for every Office of Inspector General employee, including support staff.

We have also consolidated a range of audit recommendations into a cost-saver handbook with the potential for $11 million in savings the first year, if these recommendations are implemented.

AUDIT AND INVESTIGATIVE GOALS

For fiscal years 1989 and 1990, our audit goals include a comprehensive audit program of the major railroads which contribute over $4 billion in taxes to the trust funds. We want to ensure that the rail taxes are paid in a timely and accurate fashion, and we want to ensure that the money that is collected is properly credited to all of the rail accounts.

The second part of our audit focus is to ensure that proper control exists over the Board's investment practices, the $628 million paid out in Medicare payments, and that support documentation exists for the $273 million in adjustments returned to the U.S. Treasury over the last 5 years.

The other congressional mandate that we have involves the area of investigations. In 1986 there were 282 open investigations with one conviction and $2,500 in restitutions. During that same year, there were no Medicare cases, 120 unemployment and sickness cases, and 35 retirement and disability cases. As of December 1988, there were 881 open investigations. As you pointed out earlier, these cases have a present fraud value of $10 million which is up $7 million from the previous year.

The Office of the Inspector General, working with the field and headquarters personnel, is finding serious fraud in many of the benefit programs. Who is committing this fraud?

It is important to point out that the majority of railroad beneficiaries have demonstrated a high degree of honesty and integrity. This dramatic increase in fraud cases should not be viewed as any kind of indictment of the rail beneficiaries or of the RRB programs.

Much of the fraud is being committed by third parties. As a matter of fact, we are finding that nearly one in five of the criminal suspects have serious criminal records. In many cases, this is proving a serious detriment to our agents who are out there in the field seeking confessions from these individuals.

Our investigative program is not focused on the elderly retirees. It is focused on the areas with high dollar impact and programs where there is a need to tighten controls. I would like to just briefly describe the areas that we are investigating now.

CURRENT INVESTIGATIONS

The retirement area has 388 open investigations. These investigations run between $10,000 and $100,000. Aside from the example the chairman offered earlier, we had another fraud where for 17

years a relative cashed over 200 checks of a deceased railroad retiree to the tune of $75,000.

The fraud in this area——

Senator HARKIN. Is that the one where the deceased annuitant's daughter——

Mr. DOYLE. No; this was another one. There were two where the daughter took it from the mother, and then one where a woman was married to a physician. As a matter of fact, her statement when she was confronted with her fraud was "it was only pin money," and it was $100,000.

The second area of investigation that we are looking into is disability where we have presently 69 open investigations and the cases can run between $50,000 and $250,000. The majority of these are total and permanent disability. These are cases where, after they prove that for whatever reason they can no longer work, these people take jobs and continue to work.

In addition to the health investigator matter involving over $100,000, we have a justice of the peace who, in a 15-year period, stole $100,000; a man who worked for his brother and received money under the table for 5 years, who stole $75,000; another man who owned a heavy equipment company who, in a period of 5 years, stole $60,000. Substantial amounts of money are being stolen from the trust funds by a few individuals.

A third area is the Medicare area. It's an area that we are just beginning to get into. Today we have 12 open investigations, and the Medicare cases can run from $20,000 to $500,000 to $1 million in fraud. In 20 years, prior to the existence of the inspector general at the Railroad Retirement Board, cases were referred to the inspector general at the Department of Health and Human Services [HHS]. I think the figure was approximately five referrals of Medicare fraud in the railroad retirement program from The Travelers Insurance Co., to HHS in 20 years—five referrals over a 20-year period to the inspector general at HHS.

The fourth area that we are talking about is unemployment. We have 381 cases at the present time, and the value of these cases runs anywhere from $2,500 to $13,000.

And finally, we have the area of sickness where we have 27 cases that can run as high as $20,000. We had one case that over a 3-year period, $20,000 in benefits were stolen.

FRAUD PREVENTION

The question is what do we need to do about this. What can we do about it? Well, one, we need to create a credible deterrent against the fraud that exists in these programs today. At present we do not think we have a credible deterrent.

Second, we think we need to educate the rail beneficiaries that it is their funds that are being stolen and that they need to utilize our hotline. For example, Mr. Chamberlain, the labor member of the Board, has been very supportive of the Office of Inspector General's efforts. And at his request last week, we discussed with various national rail union officials ways to combat fraud and abuse through the utilization of the hotline and by publishing examples

of fraud cases so people understand the enormity of what is going on.

Third, we as the Office of Inspector General, the Board members, and the office heads need to sit down and look for creative solutions to determine what we can do to tighten up internal controls that are allowing this fraud to exist. For example, in total and permanent disability cases, we have a system whereby basically after a followup of anywhere from 18 to 36 months, we don't follow up anymore in any systematic fashion. This means if you make it through the first 3 years, you can probably get another job somewhere if you want to commit fraud, and we're not going to catch it. This is something that shouldn't be that difficult for us to change.

CONCLUSION

We need to have the support of this committee to provide us the necessary resources to continue the work we are doing. We have been very fortunate to have a fine audit and investigative staff and good leadership at both positions.

With that, I would be happy to answer any questions you may have, Mr. Chairman.

[The statement follows:]

STATEMENT OF WILLIAM J. DOYLE III

Mr. Chairman and Members of the Subcommittee: My name is William J. Doyle III, Inspector General of the Railroad Retirement Board (RRB). I am here today to speak on behalf of my budget request for fiscal year 1990. The budget recommended by the Administration is $4 million, for a staff of 75. I strongly support the Administration's recommendation.

The RRB's Office of Inspector General was established in January, 1986. With strong Administration and Congressional support, our staff allocation has increased from 20 to 55 full-time employees. Our accomplishments have risen in relation to this growth in staffing.

Using the independence assured by the Inspector General Act, we have taken the responsibility to provide audit and investigative coverage of the RRB—an agency with $22.5 billion in annual cash flows and who has the duty to provide Federal social insurance protection for America's railroad workers and their families. Our efforts have resulted in $240.2 million recovered and potential monetary benefits, together with 66 convictions during the period January 1986 through September 1988. These results are equivalent to an annual payback of $2.8 million per employee. Overall, we have made major contributions toward improving the economy and effectiveness of RRB operations.

Much work still needs to be done. Even with the staff and budget increases we have received in the past, our fiscal year 1988 dollar oversight amounted to $500 million per staff member. At the 75 person staff level, this would be reduced to about $300 million per staff member. At this level, we will be able to: (1) attempt to more fully address our investigative workload of 881 investigative matters valued at $10 million, (2) expand audit coverage of the largest railroads, (3) audit the $566,000,000 in annual Medicare payments to RRB beneficiaries, (4) initiate audits of investment practices used by the RRB to manage nearly $8 billion in trust fund assets, and (5) continue to promote timely and accurate benefit payments.

To carry out our Congressionally-mandated mission which is to oversee the RRB's programs and operations, we have established two major components: the Office of Audit and the Office of Investigations.

OFFICE OF AUDIT

The Office of Audit keeps the Board Members and the Congress fully and currently informed about problems and deficiencies in RRB operations and the progress toward corrective action. Since January 1986, the Office of Audit has identified $238,700,000 in actual and potential monetary benefits. In January 1989, we prepared the Cost Saver and Financial Improvement Guide which is a summary of op-

portunities for cost savings and revenue enhancements identified by the Office of Audit. It is intended for use by those who have a vital interest in improving the financing of the railroad retirement system including the Congress, Administration officials, the Board Members, and Board managers. Implementation of the recommendations contained in the Guide could result in $11 million a year in savings for the system—without imposing any new taxes on railroad employers or employees.

In fiscal year 1990, we plan to increase our audit coverage of the largest railroad employers (these are the Class I railroads). Railroad audits have already raised several legislative and administrative issues regarding employer tax contributions that could lead to over $20 million in revenue enhancements. We have initiated special studies regarding the taxation of deferred compensation and fringe benefits, accelerated deposits of railroad retirement taxes, and changes in the administrative IRS rules allowing railroad employers to contribute only 95 percent of their tax liability under certain circumstances.

We will also expand our efforts in areas that have not been audited before, such as reviews of: (1) the $566 million in Medicare payments processed by The Travelers Insurance Co., (2) investment practices used by the RRB to manage nearly $8 billion in trust fund assets, and (3) adjustments in RRB accounts by the Treasury Department that have totaled $273 million over the last 5 years.

In addition, we will continue to: (1) seek ways to improve the timely and accurate delivery of benefit payments to RRB beneficiaries and their families; (2) promote the economy and efficiency in RRB operations by assessing administrative areas such as consultant services, staffing, and procurement; (3) utilize computer matching to identify fraud and abuse in program operations; and (4) audit on-line computer systems to ensure that internal controls, including security and audit trails, are installed.

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) focuses on benefit program fraud relating to individuals illegally receiving sickness, unemployment, disability, Medicare or retirement benefits. OI is continually seeking new and innovative ways to promote economy, efficiency and effectiveness in the RRB programs. OI is also seeking ways to improve the efficiency of operations by identifying weaknesses in internal controls that permit fraud, waste and abuse.

Our highest priority for fiscal year 1990 will be the identification and investigation of fraud and abuse in the disability, health care and retirement programs. We have found that very serious fraud exists in these programs and that we have not yet created a credible deterrent against this fraud. In the disability program, where we have 69 cases under investigation, we found:

An individual has been receiving a disability annuity since 1977. While filing for these benefits he was gainfully employed and continued his employment as a State public health investigator until the fraud was discovered 10 years later. The total amount of the fraud is over $100,000.

A Texas Justice of the Peace, an elected public official, falsified his earnings over a 15-year period, in order to keep his disability annuity. The fraud is over $100,000.

An individual on a disability pension worked full time for his brother. He was paid under the table, by check, for over 5 years. The brother turned him in because he was a thief. The loss is over $75,000.

In the Medicare program, where we have 12 open investigations, we found a doctor who advertised in a retirement center that he would perform free medical examinations. Several elderly persons took advantage of the offer only to learn later that Medicare was billed for the exams.

In the retirement program, where there are 388 cases under investigation, we have discovered extensive fraud. For example: a railroad annuitant passed away 20 years ago. The deceased annuitant's daughter (who was married to a physician) continued to forge her dead mother's name to over 200 RRB checks. The loss was over $60,000. Another retirement case involves a daughter cashing her deceased mother's checks. The daughter forged her mother's name on over 300 RRB checks causing a loss in excess of $100,000. This fraud continued for 34 years.

In the unemployment and sickness insurance benefit program, where we have 412 open investigations, we have found widespread cheating. For example, two subjects claimed over 500 days of unemployment benefits while in fact they were working. The fraud covered parts of three benefit years. Another subject illegally received about $20,000 in sickness benefits, over a 3-year period, while he continued to work.

A theme emerges that the above fraud has been going on for years as the above examples demonstrate. These kinds of fraud will continue to be identified through

conventional means—allegations made by third parties and RRB program evaluations—and also through sophisticated computer matching techniques. The Inspector General's Hotline number, with an explanation of what to report, has been published iEXITn the RRB's Medicare Handbook in an effort to further enhance the detection and reporting of health care fraud. Hotline information has also been provided to all RRB annuitants by an RRB mass mailing in November, 1988.

Ongoing investigations will most certainly result in increased fines, savings and substantial dollar recoveries. If provided with additional resources, extra savings will accrue when there is a credible deterrence and the resultant elimination of systemic weaknesses in internal controls which make the programs vulnerable to fraud. Most importantly, railroad annuitants will enjoy an improvement in the delivery of their services through increased program integrity.

Prior to fiscal year 1987, investigative efforts by the RRB had resulted in very few positive prosecutive results. Since January 1986, when the OIG commenced operations, the Office of Investigations has steadily increased its total case load, not only in number of cases pending, but also in complexity and financial impact on the RRB trust funds and the U.S. Government. Overall case load has increased from 282 in 1986 to 881 at December 31, 1988 or a 212-percent increase. We now have 388 retirement, 385 unemployment, 27 sickness, 69 disability and 12 Medicare cases which amount to over $10 million in fraud. The dollar amount involved has tripled since last year when the total dollar amount of fraud being investigated was about $3 million. It should be noted that we are just initiating major fraud investigations in the Medicare and disability areas.

In fiscal year 1988 with a staff at year end of 20, investigative work load and results again increased. OI obtained 55 convictions, 37 indictments, and obtained about $850,000 in fines, restitutions and recoveries. We referred 278 cases to U.S. Attorneys across the country.

Our present case load of 881 investigations contrasted to 14 Special Agents (including 7 less experienced agents) translates into an average case load of 63 cases per agent. This case load, combined with the fact that the cases are located throughout the country, is high. The case load is growing at a rate that will clearly be difficult to manage with current staffing. More importantly, it shows the dollar amount of fraud out there and as yet undiscovered. Approximately one-third of the presently assigned cases are backlogged and may not be investigated promptly due to the lack of special agent manpower. The case load is expected to increase again in fiscal year 1990 due to our aggressive approach to developing disability, Medicare and retirement cases.

OI continues to attempt to maximize its Special Agent resources. Because we are understaffed, joint cases with the U.S. Secret Service, the Federal Bureau of Investigation, the Internal Revenue Service, and other Offices of Inspector General are a necessity.

Investigation of potential fraud cases requires an OI presence in, and/or travel to, all parts of the United States. For example, there are over 100 pending investigative matters assigned in the States of Texas and Pennsylvania alone. Investigations therefore involve a significant amount of travel and resultant investigative time. All OI Special Agents are presently based in Chicago, Illinois. A major goal this year is to create a credible deterrence to fraud through aggressive investigative techniques and education of the beneficiaries that this is their money that is being stolen from their trust funds.

SUMMARY

In conclusion, our auditors and investigators have achieved substantial results since 1986. We have become a viable and valuable force for improving Agency operations and for combatting fraud. However, we need to expand our oversight into areas involving billions of unaudited Federal dollars and also reduce fraud in benefit programs by creating an effective deterrent against fraud. To do this, we need your support on this budget request. OMB has recommended an FTE ceiling of 75 personnel and a budget for 1990 of $4 million. I strongly support the Administration's recommendation and urge the Members of this Committee to do the same. Mr. Chairman, this concludes my formal remarks. I will now be glad to answer any of your questions. Thank you.

FRAUD IN RRB PROGRAMS

Senator HARKIN. Mr. Doyle, thank you for the fine testimony.

I just have to tell you I am literally appalled by the number of cases that you have brought to light, the ones you have spoken about and the other ones that are in your written testimony. And coupled with my hearing last week on Medicare fraud, and finding the waste and fraud that is going on there, I am beginning to wonder just how much is under the tip of this iceberg.

What is going on out there? And how is this allowed to go on? Tell me about the woman that continued to get her deceased husband's retirement check for—was it 34 years? It was her mother's. It was an individual who forged her deceased mother's name and got her annuity check for 34 years. How could that happen? How did it come to light? How did you finally find it and how could it go on for 34 years?

Mr. DOYLE. I think the main issue is that we need to reevaluate and reexamine the systems that we have in place, and the amount of time we spend on integrity checks in our programs. I think that we as an agency need to look closely at expending more time on doing integrity checks so that these kinds of examples do not persist.

Senator HARKIN. Well, now, again it went on for 34 years. Did this come to light under your watch since 1986?

Mr. DOYLE. The Board has many checks in place, if you will, for checking on retirement cases where they do matches with HCFA and Social Security. We have wage match checks that we are doing in seven States which, by the way, gives an example of the fact that the 381 open unemployment investigations come from matches in only seven States. It does not represent the rest of the country.

We are running many kinds of compliance checks.

Senator HARKIN. OK, Mr. Doyle, you run all these compliance checks.

Mr. DOYLE. But what I'm saying is——

Senator HARKIN. Is this just a random kind of thing?

Mr. DOYLE. My sense and my feeling is that we do not have a coordinated program where the people who are running a disability check are coordinating with the people who are running the unemployment checks.

Senator HARKIN. What do you need to set that up?

Mr. DOYLE. What we need is a commitment by the Board—and as I said, I think there is such a commitment—to set up a group that works together to coordinate our programs of compliance. We need to allow the people sufficient time not just to process paper, but to pursue fraud, if they feel, for example, that people are getting unemployment benefits when, in fact, they are holding jobs.

RESOURCE REQUEST

Senator HARKIN. Let me ask you about your request for financing and your full-time equivalents. You say, "Our efforts have resulted in $240.2 million recovered and potential monetary benefits, together with 66 convictions" from 1986 through 1988. This is an equivalent of an annual payback of $2.8 million per employee. I think that is commendable.

What I am wondering is, as I said in the Medicare hearing last week, have we reached the point of diminishing returns or not?

Mr. DOYLE. No.

Senator HARKIN. All right. Then how many full-time equivalents do you have right now that are in your office?

Mr. DOYLE. Right now we have 55.

Senator HARKIN. You have 55.

Mr. DOYLE. Correct.

Senator HARKIN. How does that compare with when you came on board in 1986?

Mr. DOYLE. We had approximately 25 positions, I think 18 of which were filled.

Senator HARKIN. So, it has gone up. You have the 55 fully filled now.

Mr. DOYLE. Correct.

Senator HARKIN. Does that recovery rate still hold at about $2.8 million?

Mr. DOYLE. If you would average out the actual FTE's that we have had on board over the last 2½ years and divide that number by the amount of money recovered, it will come out—and I would be happy to supply the committee with the break out of that. It would come out to approximately $2.8 million.

Senator HARKIN. Now, what is the increase that the Board is asking for here for the Inspector General's Office?

Mr. DOYLE. We are asking for an increase from $3.2 million and 55 FTE's to $4 million and 75 FTE's.

Senator HARKIN. That additional $800,000 will cover an additional 20?

Mr. DOYLE. Yes.

Senator HARKIN. With all the travel and everything else that is involved?

Mr. DOYLE. Yes; it is a tight budget. It is not a budget that has a great deal of fat in it.

PROGRAM FRAUD

Senator HARKIN. Well, I'm going to take a look at that.

The Railroad Retirement Board pays benefits to unemployed railroad workers, and 385 of your 881 investigations relate to fraud in this program. So, almost one-half. Right?

Mr. DOYLE. There's a lot of it, yes.

Senator HARKIN. I think you have covered that pretty well.

DISABILITY

You said 69 cases are in the disability program. Your statement mentioned one person has been collecting disability payments for 15 years, but was employed during that period as a justice of the peace. Again, I am wondering how that could go on for 15 years.

Mr. DOYLE. Well, it would have normally been picked up with the check that is done by the Board with Social Security records, but the justice of the peace had the money disguised as expenses. It never came out as salary, and no taxes were deducted from it. The information did not come to us through regular means.

That is what happens with many of these cases. Even though we have mechanisms in place, the fraud is not necessarily detected because many of these people will not report their income. They are

getting money under the table or through other nefarious methods. You can have the best checks in the world and you are not going to pick some of these up, but many of them can be and should be caught.

Senator HARKIN. Mr. Doyle, in reviewing the budget justification of the Railroad Retirement Board, we could not find any discussion of a compliance program operated by the Board to help ensure that these several programs are not being abused. We just talked about that a little bit ago.

How many of the 881 fraud investigations that you now have underway were referred to you by Retirement Board employees?

Mr. DOYLE. I would say probably one-half. The ways that cases come to us are through the field staff and through headquarters. I would like to point out that the Board has some very dedicated employees. A lot of this work is done on their own time and done because they just feel it is the right thing to do.

PROGRAM INTEGRITY

Senator HARKIN. Does the Board have a coordinated integrity program?

Mr. DOYLE. I would say, no, the Board does not. What they have is a lot of routine checks of different programs to detect fraud, but if you mean a unified program, no, they do not. There is no oversight or planning that draws everything together in a coordinated fashion.

Senator HARKIN. And I assume by what you have just said, you think they should have one?

Mr. DOYLE. I think it is a must if we are going to begin to reduce this fraud because we foresee from just the way our investigative workload is going, that there will not be any leveling off for the next 2 or 3 years. This means that the fraud dollar volume is going to go up, and especially since we are getting into the area of Medicare which is an area that we suspect—and we will be working very closely with Dick Kusserow, the inspector general at HHS—that it's going to go up substantially.

MEDICARE FRAUD

Senator HARKIN. Well, I am glad you brought that up because, as I said, in our hearing last week I was appalled at the number of abuses and fraud cases that are coming through Medicare. And this subcommittee will be looking at that in more depth as we go along this year.

Again, I understand, as you said, only five cases of Medicare fraud have been detected by the Railroad Retirement Board's Medicare contractor—I had in the last 10 years. You said in 20 years.

Mr. DOYLE. Those cases were referred to HHS at the time. I and the assistant inspector general for investigations went to Travelers, and we told them that we were very concerned about this area and we wanted them to begin to transfer cases directly to us, which is why we have audit and investigations working very closely in this area of Medicare claims.

Senator HARKIN. Now, obviously, they can't refer them all to you. Again, I find it incredible that there were only five cases in 20

years. In general, the average for the contractors we had last week was 33 cases in an 18-month period. That was the average, some higher, some lower, but that was the average in 18 months.

Mr. DOYLE. We feel that this is a concern to us. We want to know whether they are doing a very, very fine job, of which we are fortunate, or if we have a problem in that cases are not being referred to the inspector general.

RESOURCE NEEDS

Senator HARKIN. Well, again, in terms of your own personnel and the people that you have, do you feel you have enough people that you can actually look into that adequately?

Mr. DOYLE. Our initial request—and we have had this request for 3 years. We initially sat down and did a very rigorous analysis in the audit and investigative area. We found that the minimum we needed to do our job—and the administration approved this for 2 years in a row—was a minimum of 86 people. Last year we requested a budget of $5.6 million and 99 people. We felt that this was what we needed because of the fact that we were doing some very sophisticated audit and investigative-type work.

Senator HARKIN. The budget I have here says $4 million for inspector general, and you said what?

Mr. DOYLE. That was what we received on our passback.

Senator HARKIN. Let me get this straight. You requested how much again, Mr. Doyle?

Mr. DOYLE. We requested $5.6 million for fiscal year 1990 with 99 people.

Senator HARKIN. That's $5.6 million with 99 people.

Mr. DOYLE. The passback we got back——

Senator HARKIN. Was $4 million.

Mr. DOYLE [continuing]. Was $4 million and——

Senator HARKIN. And 75.

Mr. DOYLE. And 75. Correct. We realized that we needed more resources when we initially analyzed the work we had to do. We are looking into very complicated areas that require sophisticated auditing, such as auditing the Nation's railroads and the Medicare area. We found that we needed more resources to do that. That was why we came up with that request for the last 3 years.

Senator HARKIN. I think I am going to have to ask the Board about that when they come up next after you.

Again, I just can't emphasize enough my concern for reducing the number of fraud and waste cases in the programs under the jurisdiction of this subcommittee. We are caught in a terrible budget crunch. We have a lot of worthwhile programs, obviously, that this subcommittee funds. And if you are telling me that a few more auditors or investigators can help us clamp down on the fraud and abuse and we get that kind of a payback of $2.8 million per person and you haven't reached the point of diminishing returns yes, it would seem to me that this is a place where we ought to look at helping the taxpayers out a little bit.

BUDGET JUSTIFICATION

Mr. DOYLE. I think we have had a very excellent return for the dollars that we have spent. This year with a staff of basically 45 and a budget of $3.2 million, we have returned a substantial amount to the trust funds.

Senator HARKIN. I ask my good friend from Alaska if he has any questions.

Senator STEVENS. Well, you had an increase, haven't you, from 20 to 55 already. How long has that taken to build up?

Mr. DOYLE. We are at 55 right now, Senator.

Senator STEVENS. And when were you at 20?

Mr. DOYLE. When I arrived there, there was an allocation for the predecessor organization of I think it was 20 or 25.

Senator STEVENS. What year?

Senator HARKIN. Eighty-six.

Senator STEVENS. So, we had really 2 years' experience at this fairly high level. Right?

Mr. DOYLE. Correct.

Senator STEVENS. Doesn't the very fact that the people out there know that you have more investigators have a deterrent effect in and of itself?

Mr. DOYLE. Well, the way we view it is that we don't have a deterrent effect. That is because of the rate that we're uncovering fraud. It isn't fraud that has just been out there for the last 2 weeks or the last year. It is fraud that has been out there for 10 or 15 years.

Senator STEVENS. I understand that. But what I'm saying is it ought to be on the decline. It's like putting more traffic cops in cars on the road from Los Angeles to Reno. The speed slows down.

Mr. DOYLE. That's correct, but we don't think that we are anywhere near close to that on the investigative or the audit side at this point.

Senator STEVENS. Are you asking for more?

Mr. DOYLE. Yes; we're asking this year for 75.

Senator STEVENS. You are asking for 20 more. Right?

Mr. DOYLE. Correct, to 75 and a budget of $4 million.

Senator STEVENS. Are you seeking an increase over the 75?

Mr. DOYLE. We initially had requested——

Senator STEVENS. How many did you ask for?

Mr. DOYLE. In 1986, we initially requested 86 people in our very first year. We did an analysis of the audit and investigative——

Senator STEVENS. So, then in 3 years you would go from 20 to 86.

Mr. DOYLE. Yes, sir.

Senator STEVENS. If you had 86, your caseload ought to be somewhere down around 40 cases per person. That is 63 at 55 now, 63 cases per agent now.

Mr. DOYLE. Correct. I think what we would be doing is probably——

FRAUD INVESTIGATIONS

Senator STEVENS. Well, how long does it take to work a case?

Mr. DOYLE. It depends on the case. A Medicare case can take 1 year, 1½ years. An unemployment case can take 1 month. A dis-

ability case can take 6 to 9 months. A lot of this is documentation. A lot of it involves travel. We have fraud matters all over the Nation.

Senator STEVENS. What does it cost you to support one agent in the field for 1 year?

Mr. DOYLE. All of our agents are out of Chicago.

Senator STEVENS. I know, but what does it cost to support? You have 55 agents. What is the total cost of supporting those 55 agents?

Mr. DOYLE. I don't have that figure with me, Senator.

Senator STEVENS. Put it in the record for me, will you?

I have to tell you I was U.S. attorney once, and everyone wanted me to increase the attorneys so that we could increase the productivity in the cases. I fired four attorneys and hired eight secretaries and did twice as much work. [Laughter.]

Maybe you need more people to support those investigators rather than more investigators per se.

[The information follows:]

OIG FIELD AGENTS

Senator, we have 13 field agents as of March 15, 1989. The average grade level for those agents is GS-9.

ENTRY LEVEL HIRING

Mr. DOYLE. What we are doing is we're hiring at the entry level for most of our positions, and we are bringing in mostly GS-7's and sending them down to the Federal Law Enforcement Training Center to be trained, and then putting them out in the field. We are losing a bit of time while the agents are gaining expertise to get out in the field to do these cases because we are not hiring all journeyman level investigators. We're hiring at the lower grades.

Senator STEVENS. Your staff of investigators has gone up from 20 to 55.

Mr. DOYLE. No; Senator, we do not have 55 investigators. We have a staff of 13 field investigators.

Senator STEVENS. Well, I asked you before if you had——

Mr. DOYLE. No; that is the total staff we have.

Senator STEVENS. Your total staff has gone up from 20 to 55.

Mr. DOYLE. Correct.

Senator STEVENS. How many investigators will come out of the increase that you asked for, the increase of 20?

Mr. DOYLE. Out of the 20, one-half of them would be investigators and one-half of them would be auditors.

Senator STEVENS. If you had more, where would you put them?

Mr. DOYLE. I would evenly divide them——

Senator STEVENS. Where would you put your 11 more that were cut?

Mr. DOYLE. I would put seven in the investigative area and four in the railroad audit area.

Senator STEVENS. Thank you, Mr. Chairman.

RRB OFFICE OF INSPECTOR GENERAL

Senator HARKIN. Thank you, Senator Stevens.

I just wanted to point out that the Railroad Retirement Board didn't even have an inspector general. It was put in in 1983. Mr. Doyle is the first inspector general. He came on board in 1986. They went all those years without even having an inspector general. So, I think from what I have been learning and hearing, there is a backlog of things going on there that needs to be ferreted out as well as this whole Medicare thing that is coming up now that really needs to be seriously looked at in the Railroad Retirement Board.

I understand again that you have several areas that you have not audited before, namely, the $500 million in Medicare payments processed by Travelers and the investment practices used by the Board to manage the nearly $8 billion trust fund assets.

Mr. DOYLE. Correct.

Senator HARKIN. You haven't even looked at that yet.

Mr. DOYLE. No.

Senator HARKIN. Well, with these additional people, could you look at it?

Mr. DOYLE. We want to start looking at these areas. They are in our plans for 1990.

Senator HARKIN. And what kind of people do you need to look at the investment practices? And these are auditors. Right?

Mr. DOYLE. Yes; these are auditors and they will have to learn about how these investment areas work. I was saying yesterday to our own staff that there is no history for us to go back to. We cannot look in manual so and so to tell us how to go and audit a class I railroad. There is no information on how we go and look at the controls that are utilized for the investment practices of the $8 billion trust fund. We have to learn that, and it takes time. And we are learning it. We fortunately have a young, very aggressive staff, and we are learning quickly, but it is taking us some time to do that.

Senator HARKIN. Mr. Doyle, thank you very much for your testimony, for being here today, and for the work that you are doing. It is very important work. And the more we tighten down these programs, the better the legitimate people who need these programs are going to be helped. I just want to tell you to keep up the good work. If there is anything that you feel that I or any members of the subcommittee or staff could do in any way to help or if there is any information you think we ought to know, please know that the line is open.

Mr. DOYLE. Thank you, sir.

Senator HARKIN. Thank you, Mr. Doyle.

STATEMENT OF THOMAS J. SIMON, CHAIRMAN

ACCOMPANIED BY:

CHARLES J. CHAMBERLAIN, LABOR MEMBER

JOHN D. CRAWFORD, MANAGEMENT MEMBER

KENNETH P. BOEHNE, CHIEF EXECUTIVE OFFICER

INTRODUCTION OF ASSOCIATES

Senator HARKIN. We will now hear from the Railroad Retirement Board. The Board administers the comprehensive retirement-

survivor and unemployment-sickness insurance benefit programs for railroad workers and their families. The Board also administers the Medicare program for railroad retirees.

Chairman Simon, again, if you would summarize your statement, your full statement will appear in the record. If you would just summarize it briefly for us, I would be most appreciative. And if you could, for the record and also for my own benefit, identify the people that you have with you at the table.

Mr. SIMON. Thank you, Mr. Chairman. I am relatively new, having been sworn in as the chairman last November 23, and appreciate the opportunity to appear here before this committee and look forward to working with you in the future.

With me today are the other two members of the board, Mr. Chamberlain, who is the labor member, and Mr. Crawford who is the management member; and our chief executive officer, Mr. Ken Boehne.

PREPARED STATEMENT

I have submitted a statement for the record. I would appreciate the indulgence of the Chair and the committee at this time, and I would forego any further comment and like to ask you to allow the other two members of the board to make some comments at this time. I would like to introduce Mr. Chamberlain, the labor member.

[The statement follows:]

STATEMENT OF THOMAS J. SIMON

Mr. Chairman and Members of the Committee, I am pleased to be here today to present the Administration's budget proposals for the Railroad Retirement Board for fiscal year 1990. As you know, the Bush Administration proposed holding certain programs in the residual category at the fiscal year 1989 aggregate level. What I am presenting was included in President Reagan's budget; the Bush Administration plans to use this as a starting point.

I was appointed Chairman of the Railroad Retirement Board in November 1988. I have spent the last few months familiarizing myself with the operations, staff and mission of the agency. I look forward to working with the Congress, the Administration and agency staff in administering the railroad retirement/survivor and unemployment/sickness insurance benefit programs.

I would like to begin my statement with a brief description of the agency and the programs we administer.

BACKGROUND ON THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board is an independent agency in the executive branch of the Federal Government. The Board is administered by three members appointed by the President, with the advice and consent of the Senate. With me today are Mr. Charles J. Chamberlain who was appointed upon the recommendation of railroad employee organizations, and Mr. John D. Crawford who was appointed upon the recommendation of railroad employers. As specified in the Railroad Retirement Act, the Chairman is not affiliated with either railroads or railroad employee organizations. Our terms of office are 5 years, and they are scheduled to expire in different years. The Railroad Retirement Board is covered under the Inspector General Act, and Mr. William J. Doyle III serves as Inspector General for the agency.

Our primary function is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the Nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. We also have administrative responsibilities for certain social security benefit payments and railroad workers' Medicare coverage.

During fiscal year 1988, the Board paid $6.7 billion in retirement and survivor benefits and $93 million in unemployment and sickness insurance benefits. At the

end of the fiscal year, there were about 915,000 beneficiaries receiving railroad retirement and survivor benefits. During the benefit year that ended in June 1988, about 55,000 railroad workers received unemployment insurance benefits and about 40,000 received sickness insurance benefits.

SOURCES OF REVENUE

The primary source of revenue for the retirement/survivor program is payroll taxes on railroad employers and employees. Other sources of revenue include a financial interchange with the social security trust funds, interest on investments, and general revenue funds. For certain vested dual benefit payments, also known as windfall benefit payments, which are projected to continue past 2025, the Congress appropriates funds from the general revenues of the Treasury. Railroad unemployment and sickness insurance benefits are funded by payroll taxes on railroad employers.

FINANCIAL STATUS OF THE TRUST FUNDS

The equity balance of the retirement trust funds increased from $7.4 billion to $8.4 billion during fiscal year 1988. Our 17th Actuarial Valuation, which was issued in August 1988, showed a significant improvement in the financial condition of the system but stated that the long-term stability of the system is still questionable. The system's long-term financing, as well as issues related to short-term and long-term solvency, are currently being studied by the legislatively-mandated Commission on Railroad Retirement Reform. The Commission, which was established by the Omnibus Budget Reconciliation Act of 1987, is scheduled to issue its report by October 1, 1990.

The equity balance of the Railroad Unemployment Insurance Account also improved during fiscal year 1988, but still showed a deficit—$406 million—at year end. The deficit balance results from high unemployment in the early 1980's which required the unemployment account to borrow funds from the Railroad Retirement Account. We reduced outstanding loans to the Railroad Retirement Account by $144.9 million during 1988 through cash repayments of $50 million authorized by the Board Members and repayment taxes paid by railroad employers. The repayment tax was scheduled to expire in September 1990 but was extended indefinitely, until the entire loan is repaid, by legislation enacted in November 1988. As a result, we anticipate that the entire loan will be repaid by the late 1990's.

NEW LEGISLATION

Significant changes in the programs we administer have resulted from two pieces of legislation enacted in the past year.

In July 1988, the Medicare Catastrophic Coverage Act of 1988 expanded Medicare coverage for both railroad retirement and social security beneficiaries. Under the legislation, the expanded coverage and additional Medicare premiums are phased in over several years. We have implemented the 1989 premium increase and are updating informational materials to describe the expanded Medicare coverage. We are on schedule for meeting the remaining effective dates specified by the legislation.

The Railroad Unemployment Insurance and Retirement Improvement Act of 1988 was enacted on November 10, 1988. In addition to extending the repayment tax, it increased the daily benefit rate for unemployment/sickness insurance benefits; established a 2-week waiting period for benefits; provided for experience rating for employer contributions; and, indexed the tax base, qualifying earnings requirements and future benefit levels to national wage levels. The legislation also included railroad retirement amendments concerning restrictions on employment and earnings by retirees, crediting of military service, and treatment of separation or severance pay for railroad retirement purposes.

USE OF ADDITIONAL STAFF RESOURCES

Last year, the Appropriation Committee report indicated an increase in our full-time equivalent (FTE) ceiling of 43 FTE's, from 1,557 to 1,600. The increase in staff was provided to add support for our automation initiatives, to help reduce our claims backlogs, and to allow us to continue improvements in our financial management program. In keeping with these objectives, we allocated 15.5 of the FTE's to support ongoing automation efforts, 23.5 to reduce backlogged caseloads, and 4 to work on financial management improvements. In addition to the increase provided by the Congress, we have also shifted FTE's internally to provide additional staff for claims processing and automation. I would like to take this opportunity to describe

our progress since the Board appeared before you last year and to outline the planned use of these staff in fiscal year 1989.

Automation initiatives.—As we reported last year, we have adopted an incremental, multi-faceted approach to modernizing our retirement claims systems. A key element of the new approach was that it allowed us to undertake a number of short-term initiatives at the same time we were developing a long-term railroad retirement automation plan. Using this approach, we were able to successfully implement several automation initiatives during 1988, and we developed a comprehensive 5-year plan which outlines, in priority order, 23 distinct retirement claims improvement projects. These projects are described in our Congressional Justification for fiscal year 1990 (pages 74–81).

Among the initiatives we accomplished in 1988, there were two which combined to produce significant improvements in the overall timeliness of payment of initial retirement claims. The first was the Initial Claims project, which established an on-line input system for initial retirement and Medicare claims taken in our field offices. The second involved a change which allows us to accept and pay most initial retirement claims without the delays involved in obtaining current year service and compensation information. Our records will be updated and the annuities adjusted, if necessary, through a subsequent automated update. The combined impact of these two initiatives is a reduction of 10 to 40 days in the average processing time required for initial payments. Time lapse data for the first 4 months of operation (October 1988–January 1989) indicate that we were able to process 69.6 percent of initial age and service claims within 90 days, compared to only 42.6 percent of those cases processed within 90 days during the same period a year ago. Initial age and service annuity payments made within 30 days improved from 2 percent last fiscal year to 28.4 percent this fiscal year for the same 4-month period.

Last year, we also stated that we were working on the Employment Data Maintenance system, which involved establishing a database of information on service and earnings needed to determine eligibility and entitlement, and to calculate retirement and unemployment insurance benefit amounts. This system is partially operational at this time, with approximately 12 million service and earnings records now accessible for on-line reference. We expect it to be fully operational by June 1989, with the completion of data processing programs needed to update these records as new reports of service and earnings are received from railroad employers.

During 1989, we will begin work on several of the projects outlined in the new 5-year plan. These will include converting to an integrated database which will incorporate our current data files, modifying our initial claims systems to accept retirement applications up to 3 months in advance of retirement, establishing an on-line input system for survivor benefits, and automating the production of notices to annuitants verifying the dollar amount of their annuities.

In addition to these retirement automation projects, we are also working on a major automation initiative in the railroad unemployment insurance program in 1989. We are developing a new system which will allow unemployment insurance claimants to register for benefits by mail to our district offices, where the claims will be entered on-line and subsequently transmitted to railroad employers for on-line verification of employment information prior to payment. We initiated work on these changes to improve the efficiency and effectiveness of the railroad unemployment insurance program. As a result of the new experience rating provisions contained in the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, the pre-payment verification features of the new system are now required to be in place by January 1, 1990, both for unemployment and sickness insurance claims.

Backlogs and changes in workloads.—During fiscal year 1989, we are using 23.5 of our additional FTE's to reduce work backlogs in a number of areas. These backlogs are primarily in the retirement program and involve cases that require review or adjustment. The backlog categories include: retirement and survivor cases that were rejected from, or were coded for review at the time of, automated adjustments for post-retirement earnings or cost-of-living increases; routine railroad retirement and social security adjustments; cases in which there are discrepancies between the social security benefits paid by the Railroad Retirement Board on behalf of the Social Security Administration and the Social Security Administration's benefit records; cases in which there are inconsistencies between the Railroad Retirement Board's Medicare master file records and other files; cases in which there are discrepancies between computerized payment files and separate files maintained for research and actuarial purposes; and, requests for reconsideration and/or waiver of debts under the railroad unemployment and sickness insurance program.

As of October 1, 1988, we had about 274,000 cases in the major backlog categories, including a normal working balance of 23,600. From October 1 through December 31, 1988, almost 33,000 cases were added to this balance while 63,000 were disposed of, leaving a balance of 244,000. Some backlog cases must be handled manually by experienced staff, others can be processed by automated programs. We are in the process of hiring and training additional staff to work on the backlog cases.

Financial Management Program.—We also continue to make progress in implementing financial management initiatives. The cash management program yields about $40 million in additional income annually for our trust funds. In 1988, we continued to enhance our financial reporting and systems capabilities by installing the latest version of the Federal Financial System software, which is one of two systems that are certified as meeting Federal financial requirements. In 1989, we are using a contractor to build on its off-the-shelf software to develop a new program accounts receivable system for us. We are also involved in joint efforts with the Internal Revenue Service toward reconciling railroad employment taxes, and collecting benefit overpayments by offset against Federal income tax refunds.

1990 APPROPRIATIONS REQUESTS

For fiscal year 1990, President Reagan's budget estimated that $74 million will be needed for the administration of the railroad retirement and unemployment insurance programs. This is $424,000 more than the amount available for fiscal year 1989, and is split $60,550,000 and $13,450,000 between the administration of the railroad retirement and unemployment insurance programs, respectively. The proposed level of 1,560 FTE's for fiscal year 1990 is 40 less than the fiscal year 1989 level of 1,600 FTE's. This decrease in FTE's is associated with OMB's assessment that the steadily declining number of railroad retirement beneficiaries and employees is reducing workloads. For example, the number of new retirement applications has decreased by 20 percent between 1983 and 1989.

Also requested is an appropriation for vested dual benefit payments. No appropriation to the Federal Payments to the Railroad Retirement Accounts is requested because current estimates indicate that amounts previously appropriated for uncashed checks will be sufficient through fiscal year 1990.

The Inspector General has prepared a separate justification requesting $4 million and 75 FTE's for audit and investigative activities. This is separate from the $74 million requested for administration of agency programs.

Limitation on Administration.—President Reagan's budget requested $60,550,000 for administrative expenses for the retirement/survivor program. This will support 1,218 FTE's and their associated expenses. An additional 46 FTE's are funded from this account by transfers from the Health Care Financing Administration to provide for administration of railroad workers' Medicare coverage.

In appropriation language for this limitation, President Reagan's budget proposed that the Railroad Retirement Board pay the full normal costs, less employee contributions, of civil service retirement benefits for agency employees. Civil service retirement benefits, above contributed amounts, for Railroad Retirement Board employees are currently funded from the general fund. This provision would increase charges to the Railroad Retirement Board from 7 percent of salaries for employees covered by civil service retirement to the full cost of 21.86 percent and increase fiscal year 1990 personnel benefit costs by approximately $5 million. President Reagan's budget proposed that the full civil service retirement expenses be funded from the retirement and unemployment insurance trust funds, thereby reducing the general fund subsidy.

Limitation on Railroad Unemployment Insurance Administration Fund.—The Railroad Unemployment Insurance Act provides for permanent appropriation of funds for the administrative expenses of the railroad unemployment/sickness insurance system, and we anticipate that no additional amount is needed to supplement the permanent appropriation. The Reagan Administration estimated that $13,450,000 and 296 FTE's will be needed in fiscal year 1990 for the administrative expenses of the unemployment/sickness insurance program.

Dual Benefits Payments Account.—President Reagan's budget requested an appropriation of $333 million for vested dual benefit payments for fiscal year 1990. This request will fully fund individual benefits based on our best estimate of windfall costs. The proposed appropriation language provides that an additional reserve amount not to exceed $6,660,000 be made available only if the number of beneficiaries exceeds the number anticipated in the budget estimates. The proposed appropriation language also provides that 25 percent of the total amount provided for these benefits be transferred from the Railroad Retirement Account. An estimated

$30 million would be derived from income taxes on vested dual benefits, as provided by current law. The balance of the appropriation would be funded from general revenues.

Federal Payments to the Railroad Retirement Accounts.—The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for monthly transfers to the railroad retirement accounts from the Treasury of amounts represented by benefit checks that were not negotiated. Amounts for reimbursement of such uncashed checks must be provided in advance in appropriation acts. For fiscal year 1990, no appropriation request is made because projections indicate that amounts previously appropriated will be sufficient through fiscal year 1990.

PRESIDENT BUSH'S INITIATIVE PROPOSALS

Consistent with proposals in civil service and military retirement, the Administration proposes to eliminate the 1990 cost-of-living adjustment (COLA) for rail industry pensions (those benefits above social security equivalent levels). This proposal will not affect railroad social security equivalent benefits, which will continue to get the full social security COLA.

The Administration also proposes to base COLA's for all railroad pension non-social security equivalent benefits beginning in 1991 on 32.5 percent of the social security cost-of-living increase minus 1 percent if the percentage increase in the Consumer Price Index is greater than 3 percent; 32.5 percent of 2 percent if the percentage increase in the Consumer Price Index is between 2 and 3 percent; and 32.5 percent of the social security cost-of-living increase if the percentage increase in the Consumer Price Index is less than 2 percent.

STATEMENT OF CHARLES J. CHAMBERLAIN

Senator HARKIN. Mr. Chamberlain, welcome to the subcommittee. I appreciate your being here.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, we are certainly honored again to appear before you to answer your questions and your concerns relating to the appropriation request for the Railroad Retirement Board. Your committee has always been sensitive to the needs of the railroad community, and certainly your past support for reasonable levels of funding and staffing has allowed our agency to continue our record of providing good service to our beneficiaries with minimal administrative cost to the system.

FUNDING AND STAFFING REQUEST FOR FISCAL YEAR 1990

Last fall the Board members submitted our agency's fiscal year 1990 budget request to Congress for 1,600 full-time equivalent employees and $82.4 million, exclusive of the request of the Board's inspector general. We believe that the limitation on administration at the agency request level is a responsible package that provides a sound basis for continuing the good record of service our beneficiaries expect. It allows us to look to the future needs of our agency.

The Board fully recognizes this responsibility to our system and will continue our concern with improving the financial health of the trust fund through improvements in our operating efficiency.

As a member of the Board who serves as the representative of railroad labor, I also urge this committee to continue their efforts to provide full funding of the vested dual benefit, as well as support the full level of cost-of-living increases provided under current law.

STATUS OF TRUST FUNDS

As you know, everyone involved in our retirement system, employees, employers, and retirees, were called upon in 1983 to make major financial sacrifices to ensure the future stability of our system. Our most recent report to Congress under section 22 of the 1983 Railroad Retirement Solvency Act clearly shows that our system is fully able to support all benefits provided under current law. We, therefore, look forward to your continuing support and recognition of the reasonable expectations of the hundreds of thousands of families and individuals who depend on our retirement system.

BACKGROUND ON RRB INTEGRITY/AUDIT EFFORTS

Now, Mr. Chairman, if you will permit me, I was sitting here listening to the statement of the inspector general. And I think it would be in order for me to comment. If you will give me the time—and I understand the limitations of time. I have been on the Board for 12 years. This is my 12th year. And certainly a few remarks with respect to the history, my personal experience during that 12 years, I think is in order because it could appear that the Railroad Retirement Board is a place where there is just no management. That is not true.

I went there in 1977 as the labor member appointed by President Carter. My background before going to the Board was with the labor unions, president of the Brotherhood of Railroad Signalmen, chairman of the RLEA, all the unions associated here in Washington. My background in the railroad industry since 1938 has been one of a local union officer and handling funds. I know what it is to be responsible for other people's money.

With that bred into me, when I first went to the Board, I knew something about the system and I was aware of the awesome responsibility when taking that oath of being responsible for $5 billion a year in payment of pension funds.

ESTABLISHING AN AUDIT CAPABILITY IN THE RRB

I found that the Board at that particular time had what we called a Bureau of Management Control. That was in 1977. I was curious as to their function, but that was the title of that particular bureau within our agency. I was concerned that perhaps we needed something stronger than a bureau of management and control to audit. I wanted to be assured that the financial interchange system, the accounting for the funds, and our dealings with the Internal Revenue Service and the Treasury were accurate. I wanted to know when I made statements in behalf of labor and in behalf of the system, that the figures were accurate.

At that time, a young man who today is our chief executive officer was working for GAO and was the on-site GAO member of that team to oversee our operations. After discussing things with him and looking at his credentials, his credibility, his capabilities, I encouraged him to come to work for the Board, and he did in 1979.

At that time we established an Office of Audit and Investigation. We did away with that other title of Bureau of Management Con-

trol. Audit is all-inclusive. It's not only auditing the payments to beneficiaries, it is also auditing the way we do business and it is auditing the railroads. Are tax payments being made on time? Are they being credited to our account on time? These are all part of the overall picture that an audit function should include.

At the time we started the Bureau of Audit and Investigation, Mr. Boehne was the head of that bureau. He brought with him some capable people, some auditors. We started with two strikes against us because of the limitations on FTE's. We had a difficult time building up that staff because over the years we had been constantly limited on the number of people we could employ, but notwithstanding that, we built it up to the level of 15 or 20. In 1983, in my judgment, one of the best things that has ever happened to this agency was the inclusion in the 1983 Solvency Act establishing the Office of the Inspector General. That was the answer to an independent audit function for the Board.

But you have to remember there are differences of opinion between three Board members as to how to allocate your forces. I have been pro-audit since the day I went to work at the Board. Maybe other Board members didn't share that view. Maybe they wanted to allocate forces elsewhere. So, we had a difficult time in building up a staff due to the limitations of the FTE's over the years.

But nevertheless we did. When Mr. Doyle came on board, he inherited a good working core of people. It was 1983, August 12, 1983, when that legislation was signed, however, the Office of the Inspector General didn't really get going until 1986.

I have been fully supportive of what the inspector general is doing and I have taken the opportunity to alert my labor colleagues, as Mr. Doyle pointed out, as they want to know what is going on.

So, we do have an audit function at the Board. We are fully supportive of it, and I just don't want anybody to think that the Board has been just irresponsible in its actions over the years. We know there are problems out there, and you're never going to eliminate all of them. But we do have a lot of good built-in deterrents. Our people at the Board are good managers. But don't forget, we have to administer a system and get those checks out on time because chaos would prevail if we didn't get them out. We do have a good system.

We certainly support the amount of people that the inspector general needs to do this function.

INVESTMENTS

With respect to investments, it's another area. The 1974 legislation gave the Board the authority to control the investments. We do control the investments. We have an investment committee. Our funds are invested in Government securities. Our committee meets on a monthly basis to see that we get the highest yield. We also have to make sure that we have the investments mature in a timely fashion so we can pay the benefits. So, in that area we're doing a good job.

CONCLUDING COMMENTS

In other areas, we need help. Mr. Doyle has made a request that we fully support. I just wanted to clear up the record to make sure that nobody gets the impression that the Board has been totally irresponsible over those years because I have been there and I plan to stay there a few more years.

Senator HARKIN. Thank you very much.

Mr. CHAMBERLAIN. Thank you for giving me the time, but I think I had to say that.

Senator HARKIN. Thank you for the historical analysis. I appreciate that.

Mr. Crawford?

STATEMENT OF JOHN D. CRAWFORD

Mr. CRAWFORD. Senator Harkin, it is a pleasure to be here again this year. Railroad management wants you to know that we appreciate your concern and the time you spend with your staff in considering the administration and problems of the railroad retirement and railroad unemployment and sickness Insurance systems.

PREPARED STATEMENT

I would like to submit some remarks for the record concerning justification for the level of employees the Board has requested and, in addition, some remarks concerning waste, fraud, and abuse.

[The statement follows:]

STATEMENT OF JOHN D. CRAWFORD

It is a pleasure to be here again this year, and railroad management wants you to know that we appreciate your concern and the time you spend, with your staff, in considering the administration and problems of the railroad retirement and railroad unemployment and sickness insurance systems.

Chairman Thomas J. Simon has given a succinct summary of the budget proposals before you, principally involving administration of the Board.

After the Board prepared its proposed budget for fiscal year 1990 in August 1988, Public Law 100-647 became law on November 10, 1988, making major changes in the unemployment and sickness insurance program, and the railroad retirement program. Changes in automated unemployment and sickness programs will require the work of 12 FTE's over a 1.5 year period in our Bureau of Data Processing, ending in May 1990. With regard to changes in the Railroad Retirement Act, it will take the equivalent of 17 FTE's to implement system changes in our retirement programs, and these changes will be completed in May 1991. In addition to these changes in data processing, an additional 4.5 FTE's are needed in the Bureau of Unemployment and Sickness Insurance, to implement changes in unemployment and sickness insurance procedures and instructions. Most of this work is being done in fiscal year 1989, but some of the work will not be completed until early in fiscal year 1990.

Accordingly, we plan on expending 33.5 FTE's in implementing the changes in our retirement and unemployment and sickness insurance programs as a result of Public Law 100-647, and almost one-half of this work will be done in fiscal year 1990, creating a need for about 16 FTE's not anticipated last August when we planned the fiscal year 1989 budget.

Furthermore, under the new law, the experience rating system begins in January 1990 for all railroad employers except the commuter lines, for whom this system went into effect on January 1, 1989. The change to an experience rating system of assessing contributions from each employer creates a need for an additional 20 full time employees, on an on-going basis, in the Bureau of Unemployment and Sickness Insurance.

We understand that like other Federal agencies we must respond promptly to new programs or changes in programs mandated by Congress. However, it is my opinion that because of the additional work required to implement legislation enacted after we prepared our budget in August, and to administer new programs in the future, this Committee would be justified in authorizing 36 additional FTE's in the Board's fiscal year 1990 budget over and above the 1,600 FTE's we requested in August, in order to continue the same level of service to our beneficiaries which we are now providing.

In view of the committee's interest in waste, fraud, and abuse in the programs the Board administers, I'd like to add a few remarks about these matters.

First of all, the Board devotes a lot of attention and staff time to maintaining the integrity of its retirement programs and its unemployment and sickness insurance programs. These program integrity systems have been pursued for many years. For the past few years, the efforts of the Board staff have been supplemented by those of the Inspector General. The IG's Office of Investigations has been especially effective in obtaining the cooperation of U.S. Attorneys in the prosecution of fraud cases. The Board will provide a complete summary of its program integrity efforts to the Chairman for the record. Now, with regard to our unemployment and sickness insurance programs, the frequency of fraud on such programs is probably greater than in our retirement programs. However, the dollar impact on our trust funds is smaller due to the amount and recurring nature of retirement annuities. There are several reasons for the increase in such abuses in the unemployment and sickness insurance programs in recent years. The industry no longer has an abundance of Unemployment Claims Agents, who were railroad employees working with the employee who was applying for benefits, and would personally know whether or not the employee was entitled to such benefits. Management has been discouraged from rooting out fraud and abuse in the past because even when a management official has reported facts to the Board which should make a claim for unemployment or sickness benefits invalid, the official later learns the claim has been paid, and when the Board is asked why, the official is told that the Privacy Act prevents us from even confirming whether or not the claim has been paid, much less the rationale for doing so. In addition, as this Committee is aware, the Railroad Unemployment Compensation Committee recognized in its Report of June 30, 1984, that "The administration of the RUI program could be improved, in terms of both preventing fraud and abuse *and in the manner in which the RUI Act has been interpreted and applied.*" (emphasis added)

In the past few months, there has been significant progress in combating waste, fraud and abuse in the unemployment and sickness insurance programs. The Board Members have finally made a start on the revision of Board regulations to correct the misinterpretations of the RUI Act referred to by the Railroad Unemployment Compensation Committee. More important than this, the changes in the RUI Act in Public Law 100-647 now give the employers the ability to monitor claims and to furnish pertinent information to the Board prior to adjudication of such claims. These changes in the law also give employers the incentive to monitor such claims by assessing contributions from each individual employer on the basis of experience rating, instead of charging a flat rate for all employers.

With regard to our retirement programs, we have basically the same kinds of abuses as SSA has, insofar as retirement, survivor, and disability programs are concerned.

Some beneficiaries fail to report excess earnings, or recovery from disabling conditions, relatives of deceased beneficiaries sometimes continue cashing checks, and guardians or representative payees mishandle funds. I have no magic remedy to offer for these types of fraud or erroneous payments.

The most cost-effective way to detect abuses is through computer matches with employers' payrolls, State records, or HCFA death records. Increased reporting requirements and follow-up investigations will improve the situation. However, there will always be a small number who will take advantage of the difficulty of finding fraud and will be successful in obtaining benefits to which they are not entitled. My experience in the railroad industry since 1942, with time out for World War II and law school, has been that railroad employees and their families are honest and hardworking, and that the dishonest person is a rare exception. Serving that population, it is my opinion that we have less fraud and abuse than in other programs. We also have a dedicated staff at the Board who will continue to monitor these programs in order to eliminate as much waste, fraud and abuse as is humanly possible.

Thank you for the opportunity to present these remarks.

RECENT AMENDMENTS TO RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. CRAWFORD. I might say that as far as the unemployment and sickness insurance program is concerned, the legislation included in Public Law 100-647 providing for management input prior to adjudication of claims and the right of management to appeal will greatly improve the integrity of the unemployment and sickness insurance programs. And that legislation is effective January 1, 1990.

In addition, as you know, Public Law 100-647 directed the General Accounting Office in section 7107 of the act to make a study of the frequency of fraud and payment errors in the railroad unemployment compensation program. You will be receiving that report in November. And I believe that that report will help to guide the Board and the inspector general in the areas in which they can most fruitfully spend their time rooting out waste, fraud, and abuse.

INTEGRITY OF RRB PROGRAMS

Mr. Chamberlain, of course, is our institutional memory. He has been a member of the Board since 1977, and he was the chief representative of the Railway Labor Executives' Association for many years before that insofar as railroad retirement matters were concerned.

But I've been in the industry since 1942 when I went to work for the late, lamented Milwaukee Road, and I returned to the industry after World War II and law school. It is my feeling, as the inspector general mentioned, that railroad employees and their families are honest and hardworking. The dishonest person is a rare exception. I can't speak for the third parties referred to by the inspector general.

But serving this population, it is my opinion that we have less fraud and abuse than in other Government programs, and we also have a dedicated staff at the Board who will continue to monitor these programs in order to eliminate as much waste, fraud, and abuse as is humanly possible.

I would also like to make a few remarks on questions asked by you and by Senator Stevens.

COORDINATION OF PROGRAM INTEGRITY EFFORTS

First of all, I believe that there is probably a need for more coordination of the program integrity activities of the Board staff as distinguished from the inspector general staff. The position descriptions of most of the Board employees do include responsibilities for program integrity activities. And the Board has been very assiduous in following out these programs even after the inspector general reported to the Board in 1986.

And I would like to ask permission to insert for the record two documents. One describes the program integrity responsibilities in the position descriptions of our employees in the Bureau of Retirement Claims, the Bureau of Unemployment and Sickness Insurance, the Bureau of Quality Assurance, and the Bureau of Field Service, which operates 90 field offices for us. Second, I would like

to submit a summary of the activities of BUSI, ERC and the field service, in the field of program integrity.

[The information follows:]

PROGRAM INTEGRITY, QUALITY ASSURANCE, AND QUALITY CONTROL DUTIES AS STATED IN EMPLOYEE POSITION DESCRIPTIONS

BUREAU OF RETIREMENT CLAIMS (BRC)

Evaluation and compliance

Chief

Plans and coordinates the activities of the division responsible for conducting reviews, investigations, and studies of the bureau's claims processing operations; compiling and maintaining quality statistics of individual work activities for performance appraisal; reviewing claims for examiner error or other inaccuracies; auditing payment rolls for accuracy; and making recommendations to correct defects, clarify procedures, and improve operations.

Devises the scope of program evaluation activities which comprise the bureau's basic administration inspection program. These activities include testing accuracy of adjudication, time-lag studies, reconciling accounts receivable activity, reconciling benefit terminations and cancelled checks, determining the validity of payments, and reviewing programs for adequacy of internal security and controls and maintaining BRC systems outputs for accuracy, completeness, and timeliness. Plans and develops a continuous program of study, analysis, and direct observation to determine cause of delay, operational deficiencies, adequacy of procedures, adequacy of internal security, validity of payments, and overall integrity of the payment process.

Retirement claims specialists (disability)

Receives and evaluates all agency actions taken and material developed in a sampling of all types of disability-based decisions. Reviews and comments on the determination of the authenticity, adequacy, and relevance of the medical and non-medical evidence. Reviews and evaluates the nature and extent of disability in accordance with the statutes and the RRB's disability evaluation guides and medical standards and in occupational cases the duties of specific occupations in the railroad industry. Cases reviewed include disabled employee, child, widow, etc. Reviews and evaluates the determinations of permanent disability for substantial gainful activity in accordance with social security criteria; of incompetency and the selection of substitute payees, as required; of terminations of disability, such as rehabilitation or substantial employment or self-employment. Evaluates timeliness of all handlings and appropriateness of letters, notices, call-ups, assignments, and rationale offered. Makes independent informational disability decisions based on findings of fact and law for comparison with reviewed case decisions.

Evaluates, as part of case reviews, existing procedures, forms, form letters, and other guides utilized in claims handling and, as an advisor, identifies areas in which there is deemed deficiency, inconsistency, or lack of clarity.

Prepares detailed reports of individual case reviews and compiles statistical charts, tabulations, and narratives from these individual reviews. Provides detailed analysis of overall review results in comprehensive and constructive format to allow appropriate management consideration of procedural, policy, or operational revisions.

Retirement claims specialists

Conducts surveys, audits, and inspections necessary to permit him/her to evaluate adequately the accuracy of benefit payments, the effectiveness of internal checks and balances in the system, and the total internal payment system security. Identifies specific actions which might be taken to reduce benefit errors and assesses the effectiveness of each using various parameters.

Reviews cases from a selected random sample of individuals, cases sampled by the bureau of quality assurance, or cases under investigation by the Inspector General's office. Claim folders reviewed involve the full range of railroad retirement benefits and related issues including both retirement and survivor benefits; initial, post-entitlement, and reconsideration cases; overpayment and fraud cases; medical insurance benefits; taxation cases and social security certification cases. Re-examines and re-evaluates claims and makes a final determination as to whether prior decisions are correct. (The examination is a complete and independent examination of the entire case.) Because the review is for quality control purposes, the claims where errors or suspected errors are found usually involve such elements as complex issues for which there are few precedents, unique or controversial matters, conflicting procedures, lengthy and detailed investigations, misinterpretation of procedures, etc. Determines whether the examiner and authorizer have correctly applied policy and procedure. Based on reviews, detects trends or patterns where errors occur. Recommends additional training in cases where patterns occur. Suggests revision of policy, procedure, instructions, etc. and discusses with bureau officials.

Supervisory retirement claims examiners

Plans, directs, coordinates, and/or supervises work in the section responsible for determining individuals' continuing eligibility for benefits based on changes which have occurred in status which affect payment of such benefits, or based upon excess earnings of annuitants.

Keeps updated technically in order to resolve the most complex adjudicative issues or problems, e.g., conflicting or erroneous documentation, multiple periods of different amounts of excess earnings, numerous SSA rate adjustments with different, incongruous information, and other difficult, complex matters. Resolves technical questions, in accordance with existing procedures and policies, that arise as a result of a difference of opinion between the adjudicative examiner and the authorizer. Answers examiner questions and provides technical guidance as to policy, procedures,

and precedents in regard to a particular case. May personally examine, adjudicate, or authorize the most complex cases involving decisions and judgments on unusual and numerous problems and diverse situations.

Retirement claims examiners

Performs post-entitlement and re-examination work involving examining, adjudicating, and authorizing cases that reject from mechanical adjustments, groups of specifically listed claims which require review to ensure correct payment of benefits, and other cases requiring making decisions, determinations, and judgments on complex, diverse, and numerous adjudicative issues, events, and problems. Prepares and certifies SSA payments and adjustments, and readjusts RRA annuities accordingly. Initiates development or follow-up action to obtain additional information, as appropriate, and prepares correspondence to explain adjudicative actions and decisions and other aspects of cases to annuitants, attorneys, etc.

Disability and Medicare programs

Medicare contractor operations specialist

Ensures that contractor activities adhere to the provisions of the prime contract and to the law and regulations. Makes recommendations as to contract decisions involving renewal, termination, abatement of activities, and other matters.

Directs and/or conducts inspections, studies, and reviews of the contractor performance utilizing guidelines formulated by the RRB and the Health Care Financing Administration. These guidelines include but are not limited to the contractor performance evaluation program. The findings of such reviews and studies are reported in the annual contractor evaluation report.

Reviews and analyzes The Travelers Insurance budget estimates by (1) comparing line items with previous costs, allowing for reasonable increases due to inflation; (2) comparing selected line item estimates against similar estimates of other contractors in the private sector (Aetna, Equitable, Connecticut General, etc. -- with information furnished by HCFA) to assure that costs are comparable; and (3) considering future program changes.

Retirement claims examiners

Develops, analyzes, and evaluates records of physical examination, medical treatment, hospitalization, employment, education, vocational experience, and rehabilitation in connection with applications for disability benefits under the Railroad Retirement Act and for periods of disability, under Sections 216(i) and 223(c) of the Social Security Act. Determines authenticity, adequacy, and relevance of the evidence. Determines the nature and extent of disability in accordance with the statutes and the RRB's disability evaluation guides and medical standards, and in occupational cases

the duties of specific occupations in the railroad industry. Disabled child cases require the additional determination that the required level of disability existed prior to age twenty-two. Prepares decisions on the basis of findings of fact and law.

Makes determinations of permanent disability for substantial, gainful activity (disability freeze) in accordance with Social Security Act statutes and Social Security Administration disability concepts. This requires analysis and evaluation of records of physical examinations, medical treatment, hospitalization, employment, education, vocational experience, and rehabilitation. Determines the authenticity, adequacy, and reliance of the evidence. Makes decisions on the basis of findings of fact and law on all types of claims for benefits including the unusually complex claims.

Retirement claims specialists

In cases where a change in date of birth has taken place, revises RRB records and SSA tape accordingly. Develops for possible utilization under erroneous enrollment and where utilization is found, investigates overpayment with Part A and/or Part B intermediaries for a determination of amount of overpayment involved before any premium refund can be made, advising annuitant accordingly.

Initiates investigations in cases involving suspicion of fraud, overcharge, overutilization, irregularity of billing procedures. Prepares report of issues in cases and initiates investigations when needed. If on the basis of evidence received further action is required, takes such action as requesting involvement of RRB regional directors, referral to SSA, etc. Is responsible for reviewing overpayments made by the intermediary. Where insufficient data is furnished in the initial examination, requests additional information from the intermediary.

Planning and procedures

Retirement claims specialists

Develops, appraises, and interprets claims policy materials in assigned technical subject matter areas. Assignments may consist of segments of large-scale projects assigned to senior claims specialists or may be an entire project or study which requires the technical assistance of a senior claims specialist. Assignments may include any of the subject areas and may overlap with other groups and staff members, necessitating coordination and awareness of the various projects in process in the section.

Performs advisory service on unusual cases, involving the correct handling of cases and interpretation of claims manual procedures. Conducts special projects regarding policing groups of cases such as foreign students and beneficiaries to determine eligibility for entitlement; refers any deficiencies in evidence or changes in circumstances to proper adjudication unit for handling.

Retirement claims operations

Retirement claims examiners

Performs post-adjudication reexamination work involving examining and adjudicating (a) cases that reject from mechanical adjustments, determining if there were errors in addition to those that caused the case to reject, and (b) groups of specifically listed claims which require review to ensure correct payment of benefits. Examples of issues or factors causing review and/or adjustments include: cost of living increases, amendments to the acts requiring annuity rate changes, inconsistencies in benefit information, conversion of 1937 act cases to the 1974 act, changes in social security benefit status, work deductions, changes in family group composition, etc.

Initiates development or followup action if more information is needed on a claim. May assign a case to a field office to obtain such information, providing pertinent details, either orally or in writing. This information includes additional proofs, dates of employment, reconciliation of conflict information, etc.

Survivor claims operations

Retirement claims examiners

Performs post-adjudication reexamination work involving examining and adjudicating (a) cases that reject from mechanical adjustments, determining if there were errors in addition to those that caused the case to reject and (b) groups of specifically listed claims which require review to ensure correct payment of benefits. Examples of issues or factors causing review and/or adjustments include: cost-of-living increases, amendments to the act requiring annuity rate changes, inconsistencies in benefit information, conversion of 1937 act cases to the 1974 act, changes in social security benefit status, work deductions, changes in family group composition, etc.

Initiates development or followup action if more information is needed on a claim. May request a field office to obtain such information providing pertinent details either orally or in writing. Requests include additional proofs, clarifications, reconciliation of conflicting information, etc. In some cases may work through several field offices providing detailed instructions on sources for difficult to locate evidence.

BUREAU OF UNEMPLOYMENT AND SICKNESS INSURANCE (BUSI)

Program integrity and evaluation

Chief

Serves as section chief responsible for conducting analyses, inspections, studies, and quality control reviews of bureau operations, developing and directing programs and measures to ensure the integrity of benefit payments, and developing quality standards

and procedures to evaluate BUSI programs and assure their quality, accuracy, and timeliness. Duties include performing or directing the following.

Coordination of quality control activities with other Federal agencies and private industry for the purpose of providing information and cooperation in the development of projects and plans designed to improve the accuracy of benefit payments under the Railroad Unemployment Insurance Act.

Establishment and coordination of automated wage/benefit matching programs with railroad employers and State agencies as well as with internal agency records for the purpose of detecting and recovering benefits erroneously paid. Quality inspection of statistically controlled samples of claims processing work performed in the bureau to detect and correct inadequacies and defects and to clarify procedures.

Fraud investigations which disqualify claimants or employees from benefits.

Program integrity and evaluation specialists

Conducts quality control reviews and studies. Conducts recurring audits and inspections of the financial and adjudicative operations of the claims processing activity to assure compliance with established procedures. Writes reports of findings on reviews, audits, or inspections explaining errors and identified deficiencies. Develops full documentation to describe individual transactions which were erroneous or executed in non-compliance with guidelines or procedures. Recommends remedial action to reduce or eliminate errors, or to revise existing controls, methods, procedures, or documentation. Follows up to ensure corrective action is initiated and maintained. Evaluates determinations made by the division of program operations and recommends various types of actions to ensure consistency and adequacy of determinations.

Based on reviews and audits, develops new or revised procedures or supplemental instructions in order to improve the accuracy of benefit payments. Works with the other agencies, State governments, and railroad employers for the purpose of exchanging information to be used to detect and prevent fraud and abuse in the unemployment and sickness insurance programs.

Develops quality standards for use in conducting quality reviews and inspections. This involves the analysis of quality review findings in relationship to bureau and agency goals and objectives in the areas of accuracy and timeliness. Participates in the identification of performance elements and in the development of production and quality standards for the various organizational structures of the bureau.

Develops and coordinates programs designed to detect cases where benefits may have been fraudulently claimed.

Claims specialists

Establishes and coordinates automated wage/benefit matching programs with railroad employers and State agencies as well as with available agency records for the purpose of detecting and recovering duplicate benefits or benefits erroneously paid.

Analyzes output and evaluates the effectiveness of various matching programs and other program integrity activities. Recommends changes to or the abolishment of such programs.

Maintains a sickness insurance claims control system, participates in the development of selection criteria, and refers questionable claims for further development and/or investigation as a deterrent against abuse of the sickness insurance benefit program. Evaluates output and recommends changes to enhance effectiveness of system.

Conducts quality inspections of statistically controlled samples of claims processing work performed in the bureau to detect and correct inadequacies and defects and to clarify procedures. Keeps detailed work records to show pertinent information regarding cases reviewed. Participates in the development of quality standards, and measures the quality of work against the standards. Refers cases for further development, corrective action, or required processing where appropriate. Analyzes findings, notes significant trends, and patterns of error. Makes recommendations to correct inadequacies and defects in procedure and/or training, and for revisions in quality standards.

Assists in conducting inspections, reviews, appraisals, and surveys of operations in the bureau to evaluate adequacy of procedures; effectiveness and efficiency of operations; time lag; adjudicative and related processes; special areas of operations; and compliance with RRB procedures.

Claims operations

Claims examiners

Reopens and redetermines awarded or denied claims. Determines whether the initial determination was in error, whether it was based on a mistaken interpretation of law or the facts, whether original determination was reasonably supported by the evidence then at hand, or whether fraud or fault of claimant is involved. Makes decisions on reduction or cancellation of benefits or payment of additional benefits; determines if recovery should be made of benefits already paid. Prepares necessary correspondence to advise claimants of redetermination and takes action according to existing procedure where recovery is required.

Requests from RRB offices, Social Security Administration, Veterans Administration, State agencies, employers, and others information required to adjudicate claims, adjust erroneous or duplicate benefits, effect recovery or make other adjustments.

Prepares submissions, through channels, involving questions of law not covered by regulations, procedures, or legal precedent; prepares summaries of fraud cases for transmittal to the U.S. Attorney when prosecution is warranted; prepares statements of determinations where the basis is not readily apparent, to include, among other elements, a statement of reasoning underlying the determination as, for example, determinations which may serve as a precedent in the division of claims operations.

BUREAU OF FIELD SERVICE (BFS)

Regional offices

Regional operations specialists

Provides guidance and advice to field office personnel in interpreting new and revised procedures, special directives, and issuances from headquarters, and other matters. Answers questions from field office personnel on specific problems pertaining to field service operations (e.g., procedures for conducting fraud investigations, handling of protests, appeals, etc.).

Works with Federal and local government officials on fraud and other criminal and civil matters. Assists in formulating the general plan of operation by which the field staff performs inspections and investigations, and handles reconsideration and appeals cases. When cases terminate in court action, assists the U.S. attorneys in assembling witnesses, records, and documents, and serving as a witness for the government.

Works on claims cases presenting diverse and complex problems, being responsible for a speedy adjustment if warranted, or a satisfactory explanation of the situation. Prepares replies to inquiries or complaints received from railroad management and labor officials, members of Congress, attorneys, and others relating to such matters as protests, appeals, fraud determinations, liens, and general questions concerning the regional programs. Attends appeal hearings, representing the region and the division of claims operations (headquarters). Contacts the railroad claims adjusters and other interested parties in lien cases.

As directed, conducts special investigations for the regional director or the deputy on a variety of matters relating to the administration of the RRB's field service programs. Works in collaboration with managers and personnel of district offices or may work independently as circumstances require. Prepares reports on action needed to resolve the issues involved.

District offices

Contact representatives

Conducts investigations initiated by headquarters or the district office in relation to developing additional, valid information for use in adjudication of claims for benefits under the acts and in

making post-adjudicative determinations. Illustrative of these investigations are such matters as ascertaining nature of family relationships; verifying periods of employment or unemployment, and types and amounts of compensation; verifying full-time students' continued eligibility for benefits; assembling evidence to dispel suspicion of, prevent, or prove fraud; selecting and policing a representative payee; etc. Obtains information and evidence to verify or disprove failure of beneficiary to report circumstances which would terminate, suspend, or alter amounts of benefits (e.g., last person service, receipt of other benefits, voluntary quit, etc.). Develops leads and makes contacts with persons other than claimant or beneficiary, such as relatives, physicians, attorneys, and officials and employees of carriers, labor organizations, private industry, public and private agencies, hospitals, nursing homes, institutions, and schools.

Conducts interviews with unemployment insurance applicants to determine their eligibility for continued benefits.

Claims examiners

In adjudicating claims, investigates and makes determinations on involved non-monetary issues concerning ability to work, suspected fraud, cases involving labor unions, etc. In addition, investigates and determines other non-monetary issues in complex and controversial cases concerning failure to accept work, availability for work, voluntary quit, suspension, and the like. Uses telephone, forms, form letters, or composes original correspondence to obtain information and develop facts and evidence necessary to the adjudication. When appropriate, calls claimant into the district office for a personal interview. In addition, contacts other sources to verify or supplement information gleaned from the individual. On the basis of all information developed, determines whether benefits are payable for the registration period involved and completes claim.

Performs tasks in connection with the full-time student and representative payee programs, such as making periodic inquiries for policing purposes, notifying bureau of retirement claims (Chicago) of address change and suspension or termination events, maintaining control files, etc.

BUREAU OF QUALITY ASSURANCE (BQA)

Director

Responsible for planning, directing, and coordinating the quality assurance and control programs for the retirement, unemployment, and other benefit programs administered by the RRB. These projects include testing accuracy and adjudication of claims, time lag studies, determining the validity of payments, and reviewing programs for adequacy of internal security and controls. Plans and directs a continuous program of study, analysis, and direct

observation to determine causes of delay, operational deficiencies, adequacy of procedures, adequacy of internal security, validity of payments, and overall integrity of the payment process.

Manages and coordinates the design and operation of quality assurance programs. This includes:

Development of quality assurance sampling methods and procedures to be used in the agency, including forms design, data collection, and review steps.

Design of quality assurance elements of new automated systems.

Design, implementation, and maintenance of a Board-wide quality assurance monitoring system.

Interpretation of statistical data derived from quality assurance programs installed throughout the agency.

Design of the bureau's quality assurance review program.

Development of proposed corrective actions in areas in which quality falls below standard.

Responsibility for the technical aspects of any special studies relating to quality assurance, such as the 1981 Benefit Accuracy Study.

Supervisory retirement claims examiner

Oversees the implementation and maintenance of the quality assurance monitoring system for retirement, survivor, and disability benefits. Is responsible for the reporting of defective items in accordance with bureau procedures. Reviews the analysis and evaluation of findings, the recommendations for preventative measures, and periodic reports of findings with recommendations for improvements prepared by the specialists, and submits them to the director with appropriate comments.

Oversees the implementation and maintenance of the quality assurance review system for retirement, survivor, and disability benefits. Participates with the director to plan the conduct of reviews. Supervises the conduct of reviews and special studies.

Coordinates the various evaluation and review activities with quality assurance analysts in the bureau to design and implement special studies, and with related functions in the bureau of retirement claims, the bureau of compensation and certification, the bureau of research and analysis, and the bureau of field service.

Provides advisory services concerning the monitoring and review system to other offices and bureaus of the RRB.

Participates with the director in the planning of studies to ensure benefit programs adhere to established policy and procedures and have adequate internal security and control.

Quality assurance analysts

Assists the director in planning, establishing, and developing policies, programs, and procedures for an agencywide quality assurance program. Reviews ongoing quality assurance programs being conducted in the bureaus of retirement claims, unemployment and sickness insurance, compensation and certification, and data processing.

Designs, implements, and analyzes special studies of the payment accuracy of total RRB payments to validate and provide data so that operational staffs can use that data to determine appropriate corrective action. Coordinates the design of special studies with operational staffs to assure their input and avoid duplication.

Analyzes data resulting from BQA regular and special sample case reviews. Makes recommendations to ensure adherence to, and conformity with, RRB laws and regulations.

Evaluates and analyzes all pertinent payment accuracy and quality review data in reference to current assignments. Researches source materials, and provides recommendations or explanations. Results are presented to senior agency management through the bureau director.

As requested, performs special studies to identify problem areas and trends that require management attention, and proposes corrective actions.

Assists bureau director in developing and implementing an agencywide quality assurance monitoring program. Identifies current quality assurance activities, develops standards of acceptable performance, and devises tracking systems.

Conducts a continuous program of study, analysis, and direct observation to determine causes of delay, operational deficiencies, adequacy of procedures, adequacy of internal security, validity of payments, and overall integrity of the payment process.

Prepares and analyzes QA data reports for trends, error concentration, and causes of errors. As required, conducts additional QA sample reviews to isolate and identify error trends, and recommends solutions. When an additional sample is required, independently coordinates the computation of the sample, gathers data, and analyzes results.

Retirement claims specialists

Implements and maintains the quality assurance monitoring system and the quality assurance review system for retirement, survivor, and disability benefits. Reviews all materials to redetermine eligibility and entitlement. Recomputes benefits to detect errors, inconsistencies, or failures to follow policies, procedures, or established practices. Records and reports errors in accordance with bureau procedures. Determines causes of errors. Reviews

materials to ensure actions were performed timely and according to established policy and procedures. Refers cases to proper units for corrective actions.

Prepares the results of case reviews for analysis. Observes and reports on other items identified in the course of a study that could affect the findings and recommendations. Prepares working papers and reports which may be in the form of detailed analytical reports, tabulations, charts, and memoranda. Recommends changes to improve operations by preventing or reducing errors associated with specific benefit characteristics.

As directed, performs special studies to identify problem areas and trends that require management attention.

Performs studies to ensure benefit programs adhere to established policy and procedures and have adequate internal security and controls.

Program Integrity Activities

The Railroad Retirement Board (RRB) performs a wide range of activities to maintain the integrity of both the railroad retirement/survivor and unemployment/sickness insurance programs. Following is a summary of the major program integrity activities of the RRB's bureaus of retirement claims, unemployment and sickness insurance, and field service. Activities that relate to the retirement/survivor program are coordinated by the director of retirement claims, and those that relate to the unemployment/sickness insurance program are coordinated by the director of unemployment and sickness insurance.

Earnings Monitoring

Benefits payable under the Railroad Retirement Act (RRA) are subject to reduction if annuitants earn more than the exempt amount. Earnings are monitored, in part, by the following programs:

- Retirement and Survivor Benefit Wage Match with the Social Security Administration (SSA) - This annual, automated program matches certain classes of beneficiaries to the earnings records reported by employers to SSA to determine whether beneficiaries have earnings above the annual exempt amount. The beneficiaries included in this match are employee and spouse retirement annuitants between ages 60 and 70 and survivor annuitants age 70 or younger. The RRB began this matching program prior to 1966.

- Disability Benefit Wage Match with SSA - This annual, automated program, which the RRB started prior to 1966, matches disability benefit recipients to the earnings

records reported by employers to SSA to determine whether beneficiaries have earnings above the exempt amount.

- Earnings Questionnaires - This ongoing, manual program identifies annually those annuitants who, based on various criteria, appear to have a potential to earn money above the exempt amount. This program includes retirement, disability, spouse, and survivor annuitants. A questionnaire is released to each individual in the first quarter of each year to determine whether his or her benefit is affected by earnings. The RRB began this program in 1956.

Through these and other efforts during fiscal year 1988, we identified 1,330 cases in which beneficiaries earned over the exempt amount, and established accounts receivables totaling $2,620,548.

Pilot Program for Monitoring Earnings

In July 1987, we developed and implemented, on a pilot basis, a mass earnings monitoring program. We released 23,354 questionnaires to all retirement and survivor annuitants between the ages of 60 and 69 who were in current payment status and lived within the territory of 5 district offices. Individuals residing in nine States were included in this program.

This program resulted in the identification of 339 individuals who had earnings during the year their annuities began and 195 individuals with excess earnings for 1986 or 1987. To date, we have identified overpayments totaling $63,380 in 47 cases.

This program, although similar to our matching program with SSA, permits earlier detection of overpayments. We are currently determining whether the results from this program would warrant expansion.

Disability Benefit Monitoring

Disability benefits are reviewed to ensure the continuing propriety of payment by the following programs:

- Decision Reviews - Any disability benefit that is awarded as a result of the RRB's appeal process is called up for review within 3 years after the decision. We will review about 150 of these cases during fiscal year 1989.

- Medical Improvement Expected - Cases are identified for review during the initial development and rating phase according to SSA's mandatory monitoring system and are

earmarked for review between 6 and 18 months after the initial decision. Approximately 560 of these cases are reviewed each year.

. Medical Improvement Possible - These cases are also identified for review during the initial development and ratiny phase and are earmarked for review 12 months after the initial decision. We review approximately 240 of these cases a year.

Approximately 7 percent of the individuals reviewed are determined to be medically recovered. During fiscal year 1988, we reviewed 800 cases and found 56 beneficiaries to be medically recovered.

Representative Payee Monitoring

The representative payee monitoriny program, which beyan in 1964, is designed to review benefit use by RRB-selected and court-appointed representative payees. One-third of all such payees are monitored each year in rotation based on claim numbers. Questionnaires are released from headquarters and returned to servicing district offices for review. District office personnel check control listings to ensure that payees return completed questionnaires and review the information furnished. They undertake a detailed investigation of cases in which a possible problem may exist involving misuse of funds or death of a beneficiary. Any case with an indication of possible fraud is submitted directly to the Office of Inspector General. Beginning in 1989, a custodial verification of all parents for children will also be conducted triennially.

In calendar year 1988, a total of 6,058 payees (1,330 court-appointed and 4,728 RRB-selected) were monitored. Project findings for 1988 are pending the submission of final reports from all RRB field offices. A total of 5,898 representative payees were included in the 1987 monitoriny effort. This resulted in the need for 125 payees to produce additional evidence to detail their fund usaye. New representative payees were established in 88 cases and 2 cases were referred to the Office of Inspector General to investigate for possible fraud.

Aged Monitoriny (Centenarian Proyram)

Every annuitant who reaches the age of 100 is sent a congratulatory letter by the three-member Board. These letters are personally delivered by district office personnel. In addition to beiny of a congratulatory nature, these visits also serve to help ensure that the 100-year-old beneficiaries are alive and are able to act on their own behalf.

Aged Monitoring

In October 1987, we developed and implemented a program to monitor the payment of benefits to individuals over the age of 89. Questionnaires were released to 4,116 annuitants between the ages of 90 and 105 who met specific selection criteria, e.g., had not utilized Medicare in 1986. Additionally, 87 annuitants reportedly 105 years old or older were personally contacted.

With the project virtually completed, we found 10 percent, or 428 individuals, in need of a representative payee and 2 percent, or 100 individuals, whose deaths were not reported. The total amount of erroneous payments resulting from the untimely notice of death was $641,459. Of this amount, $257,553 has been recovered to date. Eighteen cases were referred to the Office of Inspector General to investigate for fraud. Based on the significant results of this program, we will be conducting this program on a recurring basis.

Medicare Enrollment Match

We are currently working with the Health Care Financing Administration to identify through a matching program those individuals who have Medicare coverage and who may not be paying premiums. A review of one category representing 857 cases has been initiated.

Death Match with Health Care Financing Administration (HCFA)

In August 1982, we established an ongoing program with SSA and HCFA to match their Medicare death records to our active payment records. The program furnishes records of railroad retirement beneficiary deaths nationwide.

Through December 31, 1988, overpayments totaling $7,088,739 have been identified in 1,717 cases. Of that amount, a total of $5,701,644 has been recovered from individuals and financial institutions. Reclamation procedures are in progress for an additional $1,082,369. The balance represents the overpayments being recovered by cash refund, installment payment and benefit withholding, and those cases where reclamation is expected following accounts receivable action. During calendar year 1988, overpayments totaling $558,712 were identified in 224 cases.

Uncollectible Accounts Receivable Match

During fiscal year 1988, we conducted a computer match of records contained in the uncollectible account and current retirement/survivor beneficiary records.

This match uncovered 147 records which were reviewed and resulted in the following findings:

- 125 cases had overpayments totaling $120,329. This money is being recovered.

- 2 cases had overpayments totaling $6,965 which were waived.

- 20 cases had overpayments totaling $108,600 which remained in the uncollectible account due to such items as: benefits being terminated, and bankruptcy of the overpaid individual.

We expect to receive another computer match of this information in May 1989, and to review these cases during the following 12 months.

Notice to Employers

When a railroad retirement annuity is awarded, a notice is released to the individual's last employer. This notice provides the employer with an opportunity to notify the RRB of employment data which may affect the individual's continuing entitlement to an annuity under the RRA.

In each case where an unemployment or sickness insurance application is processed, a notice is automatically generated for mailing to the claimant's last railroad employer. The notice provides the employer with an opportunity to notify the RRB of certain employment data which may affect the employee's eligibility for benefits under the RUIA. This program was started in 1985. During fiscal year 1988, approximately $25,000 in unemployment and sickness insurance benefits were determined to be recoverable.

State Wage Matching

In 1984, the RRB conducted its first State wage match with the State of Illinois. We now conduct periodic matches with seven States to detect instances where a railroad employee received unemployment or sickness insurance benefits for days that he or she also worked in non-railroad employment. In a case where the State notifies the RRB that an employee earned non-railroad wages in one or more calendar quarters for which the employee also received benefits under the Railroad Unemployment Insurance Act (RUIA), the non-railroad employer is contacted to determine the specific days on which the employee worked. Where days of conflict are verified, the employee is requested to reimburse the RRB for benefits paid. The seven States include California, Illinois, Indiana, Missouri, New York, Pennsylvania, and Texas. We expect to add Michigan, Virginia, and Kansas during fiscal year 1989. Wisconsin, New Jersey, and Ohio are also expected to eventually join the program.

To date, we have identified a total of $489,000 in improper payments involving 1,286 unemployment and sickness insurance cases.

During fiscal year 1988, we identified overpayments totaling $171,000, involving 400 cases, and referred 162 cases to the Office of Inspector General for investigation of fraud.

Railroad Payroll Matching

Each month the National Railroad Passenger Corporation (AMTRAK), Consolidated Rail Corporation (CONRAIL), and CSX Transportation, Inc. provide the RRB with computer tapes of their payroll records. We match the payroll records of these three major railroads against unemployment and sickness insurance benefit files to identify cases where an employee received compensation for days that he or she also received benefits under the RUIA or was otherwise ineligible for benefits. The employee is then notified of the conflict and is requested to refund the unemployment or sickness insurance benefits which were improperly claimed.

Since this program began in 1985, we have identified $1,250,000 in accounts receivables involving 17,925 cases. During fiscal year 1988, approximately $438,000 in benefits were determined to be recoverable.

Annual Wage Record Comparison

Each year we compare our unemployment and sickness insurance benefit files against the compensation reports provided by railroad employers. In each case where the employer has reported compensation paid to an employee for a month and the employee has also claimed unemployment or sickness insurance benefits for each day of the same month, the case is investigated to determine whether the employee has improperly received benefits under the RUIA. This program began in 1985.

During fiscal year 1988, we identified approximately $42,700 in overpayments involving 74 beneficiaries through this program.

Change of Address Notice

Each time the address is changed on an unemployment or sickness insurance claimant's record, a questionnaire is sent to the claimant's old address in an envelope which requests the post office not to forward it to the new address. If the claimant still resides at the old address and receives the questionnaire, he or she is asked to return the completed form to the RRB so that we can determine whether the address change is valid. This program began in 1985. No instances of fraud have been identified.

Manual Screenings with States for Duplicate Benefit Checks

The RRB maintains an ongoing program of screening the records of State agencies to determine whether a claimant may have received

duplicate unemployment benefits from the State and under the RUIA. District offices are responsible for periodically selecting cases to be checked for possible receipt of duplicate State unemployment benefits, and for investigating and developing information required to make proper determinations with respect to duplicate benefits. In fiscal years 1987 and 1988, no cases were identified in which claimants were erroneously paid RUIA benefits because of the receipt of State unemployment benefits.

Manual Wage Record Checks with States, Railroads and Non-railroad Employers

In addition to computer matching programs, RRB district offices routinely initiate manual checks with State agencies, railroad employers and non-railroad employers to verify the accuracy of railroad unemployment insurance benefit payments.

An ongoing program of manual State wage checks is conducted by the RRB's district offices in States in which computer matching programs have not been established. Such checks normally involve the transmittal to the State agency of a listing or individual card notices identifying the claimants and the periods to be checked. Information obtained from the State records is then used to identify individuals who may have worked for a non-railroad employer on days which were also claimed as days of unemployment. In fiscal years 1987 and 1988, such checks led to the identification of erroneous payments totaling approximately $481,100 in 820 cases.

District offices also initiate manual checks of railroad payroll records to identify improper claims for benefits. Such checks are normally conducted with railroads that do not provide tape files for computer matching. The checks are conducted by either (1) submitting a written request to the railroad for a detailed breakdown of an employee's work record for periods for which unemployment insurance claims were submitted, or (2) personally reviewing payroll records on-site to compare the records with the employee's claim records. In fiscal years 1987 and 1988, manual railroad payroll record checks revealed erroneous payments of $197,850 in 2,200 cases.

District offices also send requests for work histories to non-railroad employers identified in the course of eligibility interviews, claims processing or through anonymous tips. Comparison of such non-railroad work records with unemployment insurance claims records revealed $87,480 in erroneously paid benefits to 475 claimants in fiscal years 1987 and 1988.

The program integrity activities described above are in addition to the efforts of the RRB's Office of Inspector General to combat waste, fraud and abuse. Staff outside the Office of Inspector General also perform various quality control/quality assurance functions. We believe that these combined efforts help to ensure that proper benefits are being paid to eligible participants in the programs we administer.

COORDINATION OF PROGRAM INTEGRITY EFFORTS

Mr. CRAWFORD. Now, it is true that there could be more coordination, and I look forward to more of an interchange of information with the inspector general. But as Mr. Chamberlain pointed out, the Board did have a very effective bureau coordinating all these program integrity activities. When Mr. Doyle reported as inspector general, that function and all those people were taken over by the inspector general. So, we have not been derelict in our responsibilities for program activity and coordination of those.

AUDITS OF RAILROADS

With regard to a comment made by Mr. Doyle that it was difficult to find any manuals saying how to conduct a railroad audit, I think that is probably true. But I believe the reason for it is that most of the money coming from the railroads comes in as payments under the Railroad Retirement Tax Act and the railroad unemployment repayment tax. Those tax payments are audited by the Internal Revenue Service. The Board relied on IRS for the integrity of those tax collections.

Now, we have an anomally here. We have an unusual situation in the financing of the Board because the payments which finance the unemployment and sickness insurance programs come directly from the railroads to the Board. So IRS, of course, would not audit those payments.

Now, there have been minor discrepancies, I might say, between the reports received by IRS as to the level of employment on individual carriers which, of course, determine the taxes due based on per capita taxes, and the numbers of employees reported to the Board for determining the per capita contributions for unemployment and sickness insurance. And we have been active in trying to reconcile those figures over the years.

But anyway, as the result of the Board being responsible for auditing unemployment contributions and the IRS being responsible for auditing railroad and unemployment repayment taxes, Mr. Doyle is correct that there is some work to be done by his staff in setting up a system for coordinating the two.

WASTE, FRAUD, AND ABUSE

With regard to the questions asked by Senator Stevens as to why there has been no decline in the instances of waste, fraud, and abuse since 1986, I think frankly that there are probably not too many employees in the railroad industry still who are aware of Mr. Doyle and his hotline. We have been giving that publicity, but I don't think that the appointment of the inspector general has had a deterrent effect, unfortunately. But as employees in the industry become educated, I think that his presence and the deterrent effect of his activities will have a good effect.

INTEGRITY OF THE UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

With regard to unemployment and sickness insurance, I think the integrity of our programs has probably suffered in the last few

years because the numbers of railroad clerks have declined as technology, in communications especially, has improved. We had for many years a large number of employees on the railroads who were designated as unemployment compensation agents. And as the level of employment in the railroad industry has declined from 1 million 40 years ago to about 300,000 now, those employees, especially clerks who were acting as unemployment claims agents, have been reduced. So you have a situation now where instead of the unemployment claims agent being an employee who works with the person making the application, the unemployment claims agent might be somebody at a remote spot on the railroad or even perhaps not in the railroad industry, who has no idea as to the validity of an application or a claim. Now, that is being remedied by the new legislation which goes into effect January 1, 1990.

With regard to Senator Stevens' comment that perhaps the inspector general needs more support instead of more agents, that would be a good area to look into because I believe that most of the cases referred to the inspector general are referred to him by the employees of the Bureau of Retirement Claims, the Bureau of Unemployment and Sickness Insurance, and our field service.

FRAUD CASES SUBMITTED TO THE INSPECTOR GENERAL BY RRB PROGRAM OFFICIALS

Senator HARKIN. He said about one-half.

Mr. CRAWFORD. Yes; he said about one-half. I'm not familiar with the figures. As I say, there is not enough information flowing back and forth between us for me to know that.

RETIREMENT FRAUD CASE

But I believe that the woman who was cashing her deceased mother's checks for 34 years—I believe that case was referred to the inspector general by our Bureau of Retirement Claims.

So, as Mr. Chamberlain says, we have been doing our best and we will continue to do our best to——

Senator HARKIN. Excuse me, Mr. Crawford. The question that comes to my mind is why did it take 34 years then.

Mr. CRAWFORD. Well, I think the inspector general can perhaps submit some facts. I'm not familiar with the case except for that 34 years. I can see where it would happen, though, because we are sending out checks to almost 1 million people. It is down to about 917,000 right now. And if you are sending a check out to a person and there is no question raised by that party as to why didn't I get my payments correct and there is no record from the State of this person being employed, the integrity checks we have had in the past simply have not——

Senator HARKIN. My counsel just raised a good question. If she has been receiving it for 34 years, how old would the mother have been? It would seem to me there comes a point, when someone reaches 105 years old or something, you would start checking.

Mr. CRAWFORD. Unfortunately, we did have a case where we discovered that the beneficiary would be about 110 or 120 years old. And I don't think that case was referred to by Mr. Doyle.

But that is true. I don't know what the ages were. As I say, I'm not familiar with the facts of the case except what Mr. Doyle says.

It should have been uncovered, but unfortunately there are some of these frauds which simply will not be uncovered unless you go out and check with each one of our 900,000 beneficiaries.

SUPPORT FOR ADDITIONAL STAFF FOR INSPECTOR GENERAL

Senator HARKIN. I understand that, and I understand you can't. That is why I asked about the point of diminishing returns. At one time in a previous life in the House of Representatives, I had been on the Ag Committee all these years looking into food stamp fraud and other things. I said one time that I had a solution to end all food stamp fraud: you have one investigator per recipient. You could stop it, but the cost would be exorbitant.

So, there comes a point of diminishing returns and that is why I asked the inspector general and I would ask you too. Evidently you don't think so because at least Mr. Chamberlain indicated that they supported the request for more personnel in that department. And I am asking you. Would you support that also?

Mr. CRAWFORD. I support that request, yes.

Senator HARKIN. I know there is a point of diminishing returns. I understand that you can't, but again I asked the question, have we reached that point yet, and I don't sense that we have, at least here anyway.

Is there anything else, Mr. Simon, that you might have or Mr. Boehne?

Mr. BOEHNE. No.

SUBCOMMITTEE'S BUDGET PRIORITIES

Senator HARKIN. Well, thank you very much, both Mr. Chamberlain and Mr. Crawford.

I again just want to reiterate what I'm sure you heard me say before: that this subcommittee has a lot of budget crunches on now, and we have a lot of worthwhile programs out there that I want to make sure we meet whether it is in this area or low-income heating for the elderly or health programs, education, everything. And it is all sort lumped under this subcommittee.

And to the extent that we can streamline, cut out waste, cut out abuse, cut out fraud, tighten down on it—I mean, if it costs us—what is it—another $1.6 million to get more auditors, inspectors, or support personnel and they can recoup for us $2 million per employee more, then I think that seems to be a pretty darned investment of the taxpayers' dollars. And that then gives us savings that we can utilize.

And especially in this whole area of Medicare, I am going to have to look at that more closely too.

I hope you take this question in the spirit that it is asked since I think we are all agreeing here, but I am just wondering why there was no discussion of compliance or integrity in your budget justification. I asked Mr. Doyle about a coordinated integrity program, and again I'm asking you. Is that something that you would start looking at putting together a coordinated integrity type program, Mr. Simon?

PLAN TO IMPROVE RRB MANAGEMENT SYSTEMS AND CONTROLS

Mr. SIMON. Yes, sir; I would like to just put a little bit of comment on the question of integrity and the question of fraud. Being relatively new, when I had been there 1 month, I was asked whether I would sign our annual certification under the Federal Managers' Financial Integrity Act. I declined, not because I felt that we necessarily had problems in our management controls, but because I had not had an adequate opportunity to look at them. And that includes the areas which you are addressing here today. Since that time, I have still not completed a thorough review.

But 2 weeks ago I gave a speech to a large number of our managers, and was asked a question of what I saw to be our best successes and our biggest failures as an agency in my 3 months that I had been there. My answer with regard to the down side was that I did not believe that we had what I would consider an adequate management system, a coordinated management system for the agency. And that is, one of my highest priorities over the next year is, to put in better management systems, better controls within our agency.

The inspector general talked about the need for a credible deterrent. And I believe we need systemic solutions in addition to what is also very important, catching people by chance.

The inspector general has done a superior job of working with the U.S. attorneys prosecuting cases. However, that only applies to the large cases. When smaller cases of fraud are uncovered, sadly we seem to have a policy of only asking them to give back the money and saying naughty, naughty. I don't believe that is adequate.

I have asked our general counsel to give me an opinion of what we can do administratively. Can we find an administrative finding of fraud, and then what can we do when we do it? I believe that we need fines, penalties, triple damages or double damages or something similar when there is administrative cause to believe that it was actual intent to defraud the agency.

Senator HARKIN. Do you have that power now?

Mr. SIMON. I have asked the general counsel to investigate that. He is in the process, and has not given me a report yet.

When I find out what we have in powers within our agency, I will propose either the laws or regulations needed to create a deterrent to fraud at all levels because I believe that in the community out there the word would spread that it is not worthwhile to try and rip off this program. And that is to the benefit of the overwhelming majority of our recipients who are good, honest, hard-working people who play exactly by the rules and are very honest.

Thank you, Senator.

NUMBER OF FTE'S DEDICATED TO INTEGRITY AND COMPLIANCE

Senator HARKIN. How many people do you have right now in integrity or compliance? I am trying to get a handle on that. Do you know how many people you have right now? Do your figures show that?

Mr. SIMON. We believe that—and we did ask the staff to prepare those figures—it is in fiscal year 1989 approximately 113 FTE's I believe.

Senator HARKIN. How many people?

Mr. SIMON. And that includes quality assurance and quality control which are not, in my view, the same as the integrity issues of detecting fraud, but rather assuring us, the management that our internal procedures are properly followed and the regulations have been properly applied.

Senator HARKIN. Do you know—and if you don't, would you find out and let us know later—are any of these people—and if so, how many—dedicated full time to integrity and compliance?

Mr. SIMON. We will have to submit that for the record, Senator.

Senator HARKIN. Where are they located?

Mr. SIMON. They are located in our Bureau of Retirement Claims, in our Bureau of Unemployment and Sickness Insurance, and in our field service.

Senator HARKIN. But there are some in the field?

Mr. SIMON. It is an element of their position description, and we believe that FTE's are devoted, not necessarily anyone full time. As far as I know, there are no full-time people in the field doing purely that activity.

Senator HARKIN. I see. When you get those numbers up to me, kind of flush that out for me too. I'd like to see that.

Mr. SIMON. We will, yes.

[The information follows:]

The 113 FTE's we plan to use in fiscal year 1989 for program integrity, quality control and quality assurance are broken down as follows:

Activity/Unit/Position	Staff involved full-time	Staff involved part-time	Total FTE's
Program integrity 1/			
Bureau of retirement claims			
Office of director/chiefs		20	1.00
Program evaluation and compliance			
Chief		1	.50
Supervisory retirement claims examiners	2		2.00
Retirement claims examiners	18	1	18.50
Clericals	4		4.00
Disability and Medicare programs			
Retirement claims examiners		15	.69
Retirement claims specialists		4	.58
Planning and procedures			
Retirement claims specialists		8	1.00
Bureau of field service			
Office of director		10	.12
Field			
Managerial		78	.43
Regional operations specialists		5	2.97
Contact representatives		264	6.90
Claims examiners		49	9.90
Clericals		70	1.98
Bureau of unemployment and sickness insurance			
Office of director/chiefs		3	.53
Program integrity and evaluation specialists		2	1.25
Supervisory claims examiners		4	.10
Claims specialists		4	.75
Claims examiners		32	1.40
Clerk-typist	—	1	.55
Sub-total - program integrity	24 2/	571	55.15

Activity/Unit/Position	Staff involved full-time	Staff involved part-time	Total FTE's
Quality control 3/			
Bureau of retirement claims			
Office of director/chiefs		20	1.00
Program evaluation and compliance			
Chief		1	.50
Retirement claims specialists	8	1	8.30
Clerical	1		1.00
Disability and Medicare programs			
Retirement claims examiners		15	.46
Retirement claims specialists		4	.38
Planning and procedures			
Retirement claims specialists		8	1.00
Special adjudication and support services			
Supervisory retirement claims specialists		1	.25
Retirement claims specialists		8	.25
Retirement claims operations			
Retirement claims examiners		54	17.50
Survivor claims operations			
Retirement claims examiners		27	9.70
Bureau of unemployment and sickness insurance			
Office of director/chiefs		3	.52
Program integrity and evaluation specialists		2	.75
Claims specialists		4	1.25
Clerk-typist	—	1	.40
Sub-total - quality control	9 4/	149	43.26

Activity/Unit/Position	Staff involved full-time	Staff involved part-time	Total FTE's
Quality assurance 5/			
Bureau of quality assurance			
Director	1		1.00
Supervisory retirement claims examiner	1		1.00
Quality assurance analysts	2		2.00
Retirement claims specialists	9		9.00
Clerk-typist	1		1.00
Bureau of retirement claims			
Medicare contractor operations specialist	—	1	.50
Sub-total - quality assurance	14	1	14.50
Total	47	663 6/	112.91

In addition, the RRB devotes FTE's to perform other program integrity related activities which are not included in the above schedule. Examples of such activities are annual mailings to railroad employees with information on the amount of railroad compensation earned, the use of mailgrams to request financial institutions to return not-due direct deposit annuity payments, and an automated system designed to identify inconsistencies on eligibility and entitlement factors in the data recorded for an individual file.

1/ Program integrity activities focus on the agency's administrative and program resources and finding solutions to underlying causes or problems.

2/ The 24 full-time FTE's in the bureau of retirement claims determine an individual's continuing eligibility to receive monthly benefits under the Railroad Retirement Act based upon changes which have occurred in status which affect payment of such benefits. These conditions are primarily excess earnings and social security entitlement. In addition, they are responsible for the processing of computer system audit cases. These cases are referrals from the Social Security Administration in which there are discrepancies between the accounting systems for the social security benefits we process. They are also responsible for the referrals from the Tax Credit and Liability system, which monitors the credit and liability records of railroad employers for the funding of the supplemental annuity program.

3/ Quality control activities are designed to reduce the opportunities for error and failure and forewarn management of developing problems. These activities, which may include automatic correction techniques, assure accuracy and compliance with laws, regulations, and procedures.

4/ The 9 full-time FTE's in the bureau of retirement claims are responsible for conducting reviews, investigations, and studies of the bureau's claims processing operations; compiling and maintaining quality statistics of individual work activities for performance appraisal; reviewing claims for examiner error or other inaccuracies; auditing payment rolls for accuracy; and making recommendations to correct defects, clarify procedures, and improve operations. They are the prime contact for the bureau of quality assurance and the Office of Inspector General on bureau matters, and are responsible for audit followup and recommendation tracking. Some specific examples of their ongoing programs are: disability decision reviews; accounts receivable review; taxation review; sensitive computer application monitoring; change of address review; and audit followups.

5/ Quality assurance measures conformance of actual performance to management objectives, informs management of the levels of conformance, and recommends systemic and specific improvements to increase conformance.

6/ The total number of staff members involved part-time is less than the sum of the detail shown because some staff members are involved in both program integrity and quality control activities.

PRIVATIZATION OF THE RAILROAD RETIREMENT SYSTEM

Senator HARKIN. I just have one last question, Mr. Simon. What is your position regarding privatization of the railroad retirement system?

Mr. SIMON. Employees, when they take jobs, Senator, take jobs with certain expectations. In the railroad industry, one of those expectations is that they have a pension and a pension that is guaranteed by their Government. That is a moral contract. I would oppose any effort to void or default on that moral contract.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. I appreciate that, Mr. Simon. Thank you all very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BENEFIT FRAUD

Question. Mr. Simon, I noted in your statement that the Railroad Retirement Board is responsible for administering extensive and expensive retirement, disability, unemployment and sickness benefit programs. However, I am very disturbed to hear about the vast number of cases of fraud and abuse that the Inspector General currently has under investigation. Could you identify those components of the Board that have day-to-day responsibility for ensuring that benefit payments are accurate and are only being made to appropriate beneficiaries?

Answer. The Railroad Retirement Board (RRB) performs a variety of program integrity and quality control-type activities designed to ensure that benefit payments are accurate and are made only to appropriate beneficiaries. These activities are performed primarily by our bureaus of retirement claims, field service, unemployment and sickness insurance, and quality assurance.

Question. I guess I have some questions about how well the Board is doing its job in identifying these frauds. In reviewing the Board's budget justification, I could not find a description of any type of compliance program to ensure that only proper benefits were being paid to eligible participants. Did I miss something? The way I see it, the Inspector General's office should not be the first line of defense against fraud and abuse. Do you agree? Isn't this a program operations activity?

Answer. We agree that the detection and prevention of fraud and abuse is an essential program operations activity and that such operations activity should be the first line of defense against fraud and abuse. We do perform a wide range of compliance checks in our administration of the railroad retirement and unemployment and sickness insurance programs. In fiscal year 1989, we will expend approximately 113 FTE's on a number of program compliance activities.

It is our view, however, that the RRB must improve its efforts in the area of fraud detection and prevention. The personnel/policies which are now dedicated to this area are not sufficiently addressing the problem. Given our resources and staff, the emphasis has been on compliance in internal procedures and handling of claims.

The budget document we submitted to you, entitled Justification of Budget Estimates Fiscal Year 1990, does not contain a separately identifiable program activity which summarizes all of our program compliance efforts in one location. However, the narratives on pages 31 through 38 for the Limitation on Administration and pages 52 through 59 for the Limitation on Railroad Unemployment Insurance Administration Fund do contain many references to our program compliance efforts under various program activities. The references to our program compliance efforts contained in the budget justification are as follows.

General

. Monitor payments to ensure that they are proper (p. 31).

Processing retirement applications

. Monitoring benefit program operations to ensure that benefits paid to entitled individuals are accurate (p. 35).

Maintenance of beneficiary rolls

. Making quality assurance checks to verify that persons continue to be eligible to receive monthly benefits (p. 36).

. Monitoring excess earnings, erroneous payments, and management of funds by representative payees (p. 36).

Medicare

. Ensuring the prompt and accurate payment of Medicare hospital and medical claims (p. 37).

Administration

. Providing for compliance with requirements and regulations (pp. 38 and 58).

. Ensuring that correct payments are made to those entitled, such as employees and vendors (pp. 38 and 59).

Processing unemployment claims

. Ensuring that benefits are computed correctly and paid only to qualified individuals (p. 56).

. Interview claimants to determine eligibility and advise claimants of their rights and responsibilities (p. 56).

. Conduct record checks with railroads and State programs to verify that benefit payments are proper (p. 56).

Processing sickness claims

. Ensuring that benefits are computed correctly and paid only to qualified individuals (p. 57).

The material submitted for the record by Board Member Crawford identifies our specific program integrity efforts and accomplishments.

FRAUDULENT DISABILITY ANNUITIES

Question. Upon meeting certain age and length of service requirements, a railroad worker may be entitled to receive disability benefits. It is my understanding that there are about 17,500 retired railroad workers under age 65 that are receiving occupational disability annuities and 18,500 receiving annuities

based on total permanent disabilities. How often do you review those on disability benefits to determine that these individuals are not, in fact, employed or no longer disabled?

Answer. We review disability cases for continuing eligibility in accordance with the following criteria similar to that used by the Social Security Administration (SSA):

-- **Decision Reviews** - Disability benefits awarded as a result of the RRB's appeal process are reviewed within 3 years after the decision.

-- **Medical Improvement Expected** - Cases are reviewed during the initial development and rating phase according to SSA's mandatory diary system and are diaried for review between 6 and 18 months after the initial decision.

-- **Medical Improvement Possible** - These cases are also reviewed during the initial development and rating phase and are diaried for review 12 months after the initial decision.

-- **Earnings** - An automated wage matching system identifies disabled beneficiaries who may be engaging in substantial gainful activities.

-- **RRB/SSA-Coordinated Decisions** - Cases are called up for review when SSA indicates that a diary has been established.

At the current time, the RRB does not, as a routine matter, review other categories of disability cases on a specific schedule. Additionally, under our current system, if a person receiving a disability annuity passes scrutiny (or goes undetected) during the initial 3 years, the chances are high that he/she will not be detected in the future if his/her condition should improve. The RRB will be looking at ways to review these cases after the first 3-year period of benefits.

Question. Have you turned any of these cases over to the Inspector General? How many cases have you identified as receiving disability benefits fraudulently, and how much money have you recovered?

Answer. Based on the stated criteria, approximately 800 cases are reviewed annually for possible medical improvement. As previously mentioned, when the initial award is granted, call-ups are manually established based on the nature of the applicant's impairment(s).

Approximately 7 percent of the cases reviewed as a result of the call-up procedure are determined to be medically recovered. Fraud is usually not present in medical review cases but usually is determined when an annuitant engages in substantial gainful activity.

A total of 2,931 disability annuitants were identified as having reported earnings from 1981 to 1985. As of September 30, 1988, 2,630 cases (or 90 percent) have been reviewed. Of the cases reviewed, 1,139 (43 percent of those reviewed) were identified for potential overpayment development.

Regrettably, once we identify annuitants who potentially have been overpaid, we are not following up in a timely fashion. This area needs improvement. Additionally, we intend to explore ways to better track the cases referred to the Inspector General so that we can adequately evaluate the success of the program.

The bureau of retirement claims does not maintain records of the number of disability cases that were referred to the Inspector General. However, bureau staff have provided technical advice to the Inspector General's staff in 49 cases. Twenty-three of these cases were previously reviewed by bureau of retirement claims staff or were identified for review.

Although the bureau of retirement claims does have an accounts receivable system, it does not identify how much money was recovered in disability fraud cases.

FRAUDULENT SICKNESS AND UNEMPLOYMENT BENEFITS

Question. The Board also administers sickness and unemployment benefit programs for covered employees. The unemployment benefits are just that, based on an individual's unemployment. Sickness benefits are paid to sick individuals. What are the requirements for receiving sickness benefits?

Answer. Under the Railroad Unemployment Insurance Act, sickness insurance benefits are payable to an individual who has qualifying compensation in the base year (preceding calendar year) and is not able to work because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease and, in the case of a female employee, a day on which she is not able to work because of pregnancy, miscarriage, or birth of a child. In addition, no day can be considered a day of sickness if remuneration is payable or accrues to the employee for that day.

In order to receive sickness insurance benefits, an employee must file a Statement of Sickness with the RRB. The statement must be completed and signed by a doctor or other authorized individual and mailed to the RRB within 7 days of the first day the employee claims as a day of sickness. The statement provides evidence that the employee is not able to work and the expected duration of the infirmity.

Question. What type of controls do you have in place to insure that those receiving sickness benefits are not abusing the program? What type of controls do you have on the unemployment benefits program to ensure that those receiving the benefits are, in fact, entitled to those benefits?

Answer. The following program compliance activities are in place to ensure that only those entitled to sickness and unemployment benefits are receiving them.

State Wage Matching Programs

The RRB currently has automated wage matching programs with the following States: California, Illinois, Indiana, Missouri, New York, Pennsylvania, and Texas. Also, matching programs are under various stages of development with Kansas, Michigan,

New Jersey, Ohio, Virginia, and Wisconsin. In a State match, the RRB's unemployment and sickness insurance records are matched against State wage records to identify those individuals who received benefits under the Railroad Unemployment Insurance Act during a period in which they also worked. For each match that is made, the claimant's employer is subsequently requested to provide information concerning the specific days on which the claimant worked. Those dates are then compared against the RRB's records to determine whether an overpayment exists. Generally, a match is made with a particular State on a semiannual basis. During fiscal year 1988, approximately $171,000 in unemployment and sickness insurance benefits were determined to be recoverable as a result of these State wage matches.

Railroad Payroll Matching Programs

The RRB currently has automated payroll record matching programs with the following three major railroads: Amtrak, Conrail, and CSX.

Each month these railroads send us payroll computer tapes. These payroll records are compared with RRB unemployment and sickness insurance files to identify individuals who claimed benefits and also worked or received some other type of remuneration for the same days. Action is then taken to recover benefits that were improperly claimed. During fiscal year 1988, approximately $438,000 in unemployment and sickness insurance benefits were determined to be recoverable as a result of these employer matches.

Annual Wage Record Audit

Each railroad employer reports annually to the RRB the amount of compensation paid each employee and the months for which compensation was credited. This information is compared with RRB unemployment and sickness insurance benefit files. During fiscal year 1988, approximately $42,700 in unemployment and sickness insurance benefits were determined to be recoverable as a result of this match.

Notice to Employers

Whenever an unemployment or sickness insurance application is processed, a notice is automatically mailed to the employer. The notice provides the employer with an opportunity to notify the RRB of employment data which may affect the employee's eligibility for benefits under the Railroad Unemployment Insurance Act. During fiscal year 1988, such notices helped identify approximately $25,000 in unemployment and sickness insurance benefits that were determined to be recoverable.

Change of Address Notice

Each time an address is changed on a claimant's record, a questionnaire is sent to the claimant's old address in an envelope instructing the post office to not forward it to the new address. If the claimant still resides at the old address and receives the questionnaire, he is asked to complete the form and return it to the RRB so that we can determine whether the address change is valid.

No instances of fraud were identified through this program in fiscal year 1988.

In addition to the above ongoing initiatives, we have two planned efforts which will enhance program integrity activities. In July 1989, we will begin using an electronic telecommunication system to notify railroad employers of each claim for unemployment insurance benefits received and provide the employer an opportunity to furnish information relevant to the payment of benefits before the claim is paid. The program will be expanded to include claims for sickness insurance benefits by January 1, 1990. These changes create new and direct incentives for employers and encourage them to be more sensitive to, and conscious of, fraud and abuse. While these changes and the other activities listed above are not completely adequate, we hope to emphasize and better coordinate these efforts in the future.

In June 1989, we will begin automation efforts to include physicians' tax identification numbers on medical forms required for administration of the sickness insurance program. We believe that the use of the identification numbers will help ensure the validity of medical information furnished the RRB for documenting that a claimant is not able to work.

RETIREMENT BENEFITS

Question. What types of control do you have to ensure that those cashing retirement checks are, in fact, the intended beneficiaries? How much have you recovered as a result of those controls?

Answer. Under Department of the Treasury regulations, it is the responsibility of the financial institution accepting the benefit check to ensure that the check is correctly endorsed and cashed by the person to whom the check is issued.

However, in order to help ensure the proper distribution of benefits to the intended beneficiaries, the agency has encouraged increased participation by our annuitants in the direct deposit program. Periodically, we mail a description of the advantages of the direct deposit program and a description of the enrollment process to beneficiaries with the monthly payment checks. Additionally, field office personnel are instructed to explain the benefits of the program to our constituents. As a result of these efforts, 50 percent of the individuals on our payment rolls now receive direct deposit payments. The benefits of a reduction in the number of misdirected and stolen checks continue to increase.

The agency also conducts various activities to monitor the status of beneficiaries and to respond to changing situations. The primary ones are described below.

Death Match with Health Care Financing Administration (HCFA)

The bureau of retirement claims established an ongoing program with the SSA and HCFA to match their Medicare death records to our active payment records. The program furnishes records of railroad retirement beneficiary deaths nationwide.

Since August 1982, overpayments totaling $7.1 million have been identified. Of that amount, a total of $5.7 million has been recovered from individuals and financial institutions. We expect to recover the balance by cash refund, installment payments, benefit withholding, and through reclamation procedures.

Aged Monitoring Program

We are finalizing an initiative to monitor the payment of benefits to individuals over the age of 89. A questionnaire was sent to 4,116 annuitants between the ages of 90 and 105 who met specific selection criteria -- e.g., had not utilized Medicare in 1986. Additionally, 87 annuitants 105 years of age or older were personally contacted.

With the project virtually completed, we found 10 percent of these individuals in need of a representative payee and 2 percent whose deaths were not reported. The total amount of erroneous payments resulting from deaths not reported was $641,459. Eighteen cases were referred to the Office of Inspector General to investigate for fraud. Based on the significant results of this program, we expect to continue this program on a recurring basis.

Representative Payee Monitoring

The representative payee monitoring program is designed to perform a triennial review of benefit use by all RRB-selected and court-appointed representative payees. Questionnaires are sent from headquarters and returned to servicing district offices for review. District offices are furnished control listings to assure that all payees return a completed questionnaire. District office personnel review the information furnished and investigate cases not meeting profile parameters. Suspected fraud cases are submitted directly to the Office of Inspector General.

In calendar year 1988, a total of 6,058 payees (1,330 court-appointed and 4,728 RRB-selected) were monitored. Project findings for 1988 are pending the submission of final reports from all RRB district offices.

A total of 5,898 representative payees were included in the 1987 monitoring effort. In 125 cases, representative payees were requested to provide additional evidence to show how funds were spent. New representative payees were established in 88 cases and 2 cases were referred to the Office of Inspector General for possible fraud.

FRAUDULENT MEDICARE BENEFITS

Question. The Board pays out about $566 million in Medicare benefits each year. What types of quality control provisions are included in your contract with the medicare carrier?

Answer. The RRB's contract with its Medicare carrier is identical (except for wording about HCFA) to the agreement that HCFA executes with their carriers.

Performance of the RRB's carrier is evaluated in accordance with guidelines established by HCFA. Program safeguards, timeliness of

claims processing, overall quality of the claims processing system, and fiscal matters are evaluated. With our encouragement and endorsement, the Inspector General will be conducting a thorough review of the Medicare benefits system. Regrettably, at this time, the RRB does not have adequate information to judge whether there are problems of fraud and abuse in this area. The hearings conducted by this Subcommittee on February 28, 1989, concerning inappropriate Medicare payments will, we are sure, result in future reports and actions to guide both HCFA and RRB concerning better controls of Medicare outlays.

Question. How many staff do you have dedicated to that effort?

Answer. The RRB has one on-site representative at the carrier's home office who is primarily responsible for monitoring the carrier's overall performance on a day-to-day basis. His responsibilities include, but are not limited to, a review of the carrier's performance as measured by HCFA's contractor performance evaluation program and an evaluation of their claims processing system as measured by HCFA's Carrier System Testing Project. RRB's headquarters staff also assist the on-site representative in carrier-related matters.

There are 37 people in RRB headquarters directly involved in all phases of the Medicare program. These employees support the on-site representative as needed by performing such functions as reviewing the quality and accuracy of statistical samples of claims processed by the carrier.

Question. What types of payment safeguards are included in your contract with the medicare carrier to ensure that only appropriate claims are being paid?

Answer. An end-of-the-line review of the carrier's processed claims is an ongoing initiative to ensure that the carrier has handled claims in accordance with HCFA's current guidelines. During fiscal year 1988, the carrier's staff reviewed 11,162 sample claims that were selected in accordance with HCFA's parameters. RRB staff reviewed 988 subsample claims.

Question. How many claims have been identified by the Board or by the carrier as being fraudulent? How many of those have been referred to the Office of Inspector General?

Answer. Based on the carrier's quarterly Medical Review/ Utilization Review Report, 17 cases have been identified as being fraudulent and the 17 have been referred to either the RRB or the Department of Health and Human Services Office of Inspector General between December 1986 and March 1989.

REHABILITATION AND REASSIGNMENT

Question. What type of program does the Board or the railroads have in place to provide rehabilitation or encourage reassignment to individuals that would allow these individuals to get off the occupational disability rolls?

Answer. Section 2(a)(iv) of the Railroad Retirement Act (45 U.S.C. §231a(a)(iv)) provides for the payment of an occupational

disability annuity to an individual "whose permanent physical or mental condition is such as to be disabling for work in (the employee's) regular occupation." Entitlement to an occupational disability annuity does not require that the individual be unable to perform any gainful activity, but rather that he or she no longer be able to perform his or her regular occupation (generally the employee's last job).

There is no provision in the Railroad Retirement Act that requires or authorizes the Railroad Retirement Board to establish a program for rehabilitation of occupationally disabled employees or to require railroad employers to establish such a program. The RRB currently does not have any program in place to provide rehabilitation or encourage reassignment of railroad employees who are found eligible for occupational disability annuities. The RRB also has no information as to whether any railroad employers have such programs.

Pursuant to authority provided by the Railroad Unemployment Insurance Act, the RRB does maintain information concerning job vacancies in the railroad industry and also provides an employment service for unemployed railroad workers. Information on job vacancies would be available to occupationally disabled employees on request.

RETIREMENT CLAIMS PROCESSING TIMES

Question. I note from your testimony that you are now processing 69.6 percent of initial age and service annuities within 90 days. Although you have made progress, this is still a long time. For example, the Social Security Administration processes its claims for retirement benefits within an average of 20 days. Are you anticipating reducing the time further?

Answer. Yes, we anticipate reducing the processing time further.

For comparison purposes, we should note that the RRB and SSA do not track timely performance the same way. The RRB maintains statistics according to the percentage of claims paid or denied within certain fixed intervals -- i.e., 30 days, 60 days, and 90 days. SSA measures mean processing time.

Using SSA's method and applying it to interim awards for retired employees, some comparison, however, can be made. Interim awards are used for comparison because they are based on information in the RRB's records at the time of retirement and, therefore, may closely resemble the typical SSA processing environment. RRB mean processing time for initial age and service interim awards in fiscal year 1988 was 30 days.

There are also differences in the process itself. The RRB must obtain SSA earnings for almost every new claim, while SSA needs RRB data for relatively few cases. SSA may develop claims up to 90 days in advance of eligibility. The RRB currently accepts applications only after retirement. We are now changing our procedures and automated systems so prospective applicants can file for employee and spouse/divorced spouse initial retirement annuities in advance (up to 3 months) of the annuity beginning date. We have also automated processing death notices received in field offices. This allows survivor benefit development to begin up to 2 weeks earlier.

ACTION

STATEMENT OF DONNA M. ALVARADO, DIRECTOR

ACCOMPANIED BY:

JANE A. KENNY, DEPUTY DIRECTOR

LOWELL B. GENEBACH, JR., DIRECTOR, DIVISION OF PLANNING, BUDGET AND MANAGEMENT

OPENING STATEMENT

Senator HARKIN. Next would be the ACTION agency. If those who are here from ACTION would please come up to the witness table. Our next witness this morning will be Ms. Donna Alvarado, the Director of ACTION, the Nation's domestic volunteer agency.

I benefit not only from serving as chairman of this subcommittee, but also as a member of the Labor Subcommittee with authorizing responsibility for the ACTION agency. The entire Domestic Service Act is up for reauthorization this year, and the issue of national service is at the forefront both in the Congress and the administration. In fact, our committee just had a hearing yesterday. I think there were six or seven bills right now on that agenda regarding national service.

So, I very much look forward to hearing from Ms. Alvarado. Again, Ms. Alvarado, if you would please summarize your statement and for my benefit and introduce the people who are at the table with you.

INTRODUCTION OF ASSOCIATES

Ms. ALVARADO. Mr. Chairman, members of the subcommittee, I am pleased to appear today to highlight the key points of our written testimony on the appropriations request for ACTION, the Federal domestic volunteer agency.

I would like to introduce my colleagues at the table: Jane Kenny, Deputy Director of ACTION; and Lowell Genebach, our Director of the agency's planning, budget and management division.

ADMINISTRATION REQUEST

The breakdown of the request for $170,417,000 is detailed in my full statement by program area and includes non-ACTION funded support. For calendar year 1987, for the older American volunteer programs alone, non-ACTION funding represented $60.831 million, comprised of State, local government, and private sector contributions. This represented 59 percent matching of fiscal year 1987 Federal appropriations.

Today, in the interest of brevity, I plan to focus on three areas of the funding proposal which reflect a change from the fiscal year

1989 appropriations levels. They are program administration, VISTA, and the ACTION drug alliance.

PROGRAM ADMINISTRATION

The requests now before you reflects an increase in funding for program administration of $2.867 million above the fiscal year 1989 level. And $2.14 million of this increase is for personnel compensation and benefits attributed to the need to provide 448 full-time equivalents to carry out mandated program development, training, monitoring, accountability, and evaluation.

During 1989, uncontrollable costs such as rents, telecommunications, pay raises, and benefits, have continued to rise. Because of this, we have been unable to staff the agency at the minimum required level of 448 FTE's simply by cutting other services as suggested by the House Appropriations Committee. Moreover, these increases have to be absorbed in areas that have an adverse effect on agency programs.

Please note the dramatic difference in program support and program administration levels historically on the chart to my left which was included in our budget submission to Congress and which I submit for the record.

I would like to point out that ACTION's programs are unique in the Federal Government because they are geared to reach grassroots community level organizations who do not possess the technical expertise or the know-how needed to adequately compete for larger levels of funding from the major departments. Therefore, if we are to reach these community organizations, it is essential that the agency have adequate staffing at the State, regional, and national levels to enable grassroots organizations to adequately participate in our programs to meet the needs of the poor and the elderly.

VOLUNTEERS IN SERVICE TO AMERICA

The second area is VISTA. In order to enhance our ability to recruit VISTA volunteers from all walks of life, the administration strongly supports an 11.5-percent increase in the VISTA volunteer subsistence allowance, which would bring the allowance to the estimated fiscal year 1990 HHS poverty index level for a single individual.

Furthermore, the agency continues to believe that a separate volunteer set-aside for the Literacy Corps at the national level reduces the flexibility of local communities to effectively match volunteer resources with community needs whether those are identified locally as literacy, drug abuse prevention, homelessness, unemployment, or other areas of primary human need. If in inner cities, such as the South Bronx, the greatest demand is for drug abuse prevention efforts, or, in rural areas of Iowa, the primary need is for support efforts in agricultural marketing cooperatives, then VISTA must retain its flexibility to be able to respond to those community-identified needs. Therefore, the administration is proposing that beginning in fiscal year 1990, all existing Literacy Corps projects and volunteers be transferred to the regular VISTA program and funded within that appropriation.

ACTION DRUG ALLIANCE

The third area of change within the ACTION drug alliance program proposes $1.6 million for the purpose of demonstration grants to mobilize community-based volunteer efforts toward drug abuse prevention and education, as well as grants for technical assistance to grassroots organizations. The fiscal year 1990 budget would fund the ACTION drug alliance activities at levels enacted prior to the passage of the Urgent Supplemental Appropriations Act of 1989. It should be noted that for all ACTION programs other than the drug alliance, the funds allocated to illicit drug use prevention activities in fiscal year 1988 was $6.2 million agencywide, and in fiscal year 1989 is estimated to be $6.3 million agencywide.

The agency respectfully requests that Congress give full considerations to these specific areas when considering the agency's fiscal year 1990 budget.

PREPARED STATEMENT

Mr. Chairman, members of the subcommittee, this concludes my summary statement. Let me just reaffirm our continued commitment to achieving the goals of ACTION while keeping the cost of delivering these services as low as possible.

My staff and I will be pleased to answer any questions you may have, and we look forward to working with you in your capacity as the chairman of our appropriations subcommittee, as well as on the authorizing committee, throughout this 101st Congress.

[The statement follows:]

STATEMENT OF DONNA ALVARADO

Mr. Chairman, members of the Subcommittee, I am pleased to appear today to discuss the fiscal year 1990 appropriations request for ACTION, the Federal Domestic Volunteer Agency. In so doing, we reaffirm our mission to promote and expand volunteer efforts across America, with particular emphasis on encouraging public/private partnerships in support of the poor and the elderly.

The 1990 Budget request of $170,417,000 now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $135 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. All of ACTION's programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. With regard to the proposals in the ACTION budget, my staff helped develop them, has reviewed them with me, and I hope many of them wind up in the eventual compromise budget solution.

The fiscal year 1990 budget request now before you reflects increases in funding for VISTA and for Program Administration, and calls for funding equal to that of fiscal year 1989 for the Student Community Service program, the Citizen Participation and Volunteer Demonstration programs, and the Older American Volunteer programs. This request proposes to absorb current projects and volunteers of the Literacy Corps into the regular VISTA program, thereby eliminating the need for a separate appropriation and administrative process for this component. The fiscal year 1990 budget would continue funding for the ACTION Drug Alliance activities at levels enacted prior to the passage of the Urgent Supplemental Appropriations Act of 1989.

The ACTION Agency has been extraordinarily successful in leveraging Federal appropriations to generate more and more State, local and private sector resources for all our programs, and we have experienced steady growth in volunteer service levels. This appropriation request would enable ACTION to continue to carry out our vital mission and realize our legislative mandate.

VOLUNTEERS IN SERVICE TO AMERICA

VISTA is now celebrating its 25th Anniversary year of placing full-time, stipend volunteers in community projects which assist low-income Americans facing hunger, homelessness, illiteracy, drug abuse, and unemployment. VISTA volunteers assist in institutionalizing their activities through the generation of private sector financial and material support, and through the recruitment of part-time local volunteers.

The total VISTA appropriation request for fiscal year 1990, is $23,615,000, which represents an increase of $1,968,000 above the fiscal year 1989 appropriation level. This request includes: (1) an 11.5 percent increase in the VISTA volunteer subsistence allowance; (2) the transfer of all existing Literacy Corps projects and volunteers into the regular VISTA program; and (3) the support of 2,600 volunteer service years. In fiscal year 1990 we expect there to be nearly 675 projects engaged in such initiatives as the distribution of food to the hungry, literacy training, job development and training for the unemployed, drug abuse prevention activities, and assistance in the development of shelters for the homeless, runaways, and low-income youth.

LITERACY CORPS

As this committee knows, a separate Literacy Corps was first created by 1986 amendments to the Domestic Volunteer Service Act. The Agency has found that a separate Literacy Corps within VISTA and the establishment of a separate volunteer set-aside at the national level reduces the flexibility of local communities to effectively match volunteer resources with community needs, whether it be literacy, drug abuse prevention, homelessness, unemployment, or other areas of primary need. If in inner cities such as the South Bronx, the greatest demand may be for drug abuse prevention efforts, or in rural areas of Iowa the primary need may be for rural support efforts such as establishing marketing cooperatives, the VISTA program must retain its flexibility to be able to respond to those communities' needs. Although resources dedicated to literacy projects have traditionally been, and will continue to be, a major commitment of the VISTA program, we do not believe that a separate authorization or appropriation level is necessary or desirable. Therefore, the Administration is proposing that beginning in fiscal year 1990, all existing Literacy Corps projects and volunteers would be transferred to the regular VISTA program and funded within that appropriation.

STUDENT COMMUNITY SERVICE PROGRAM

The fiscal year 1990 budget provides $1,352,000 for the Student Community Service program to fund 131 grants to public agencies and private, nonprofit organizations for the purpose of establishing or enhancing student volunteer programs focusing on the needs of local low-income communities. Most significantly, these grants provide seed money to organizations that develop projects involving secondary, vocational, and post-secondary student volunteers in part-time, non-stipend activities. In recent years, Student Community Service volunteers have engaged in a wide range of services including Head Start, juvenile delinquency programs, drug abuse prevention and education, emergency shelters, soup kitchens and literacy programs. The fiscal year 1989 grants are expected to achieve an 80 percent non-Federal match.

CITIZEN PARTICIPATION AND VOLUNTEER DEMONSTRATION PROGRAMS

The Citizen Participation and Volunteer Demonstration programs have three major program areas that are designed to mobilize voluntary action and to promote innovative demonstration efforts. These are the Citizen Participation Programs; the Volunteer Demonstration Programs; and the ACTION Drug Alliance. Their authority under the Domestic Volunteer Service Act of 1973 extends through September 30, 1989. The authorization for the Drug Alliance extends through September 30, 1991.

The fiscal year 1990 budget provides $2,650,000 for these three program areas. This request represents continued funding of Citizen Participation and Volunteer Demonstration programs as well as the ACTION Drug Alliance at fiscal year 1989 levels. The drug abuse prevention efforts funded by the Urgent Supplemental Ap-

propriation Act of 1989 will be absorbed under ACTION's regular drug abuse prevention programs in fiscal year 1990.

The major areas of the Citizen Participation Programs in fiscal year 1990 will include coalition-building efforts such as public-private partnerships, and technical assistance to ACTION's grantees and other volunteer organizations. The emphasis of the ACTION Volunteer Demonstration Programs will continue to be the development of comprehensive, community-based, drug abuse prevention efforts, specifically self-help organizations aiding low-income persons.

The $1.6 million requested for the ACTION Drug Alliance program will enable the Agency to award 44 grants focusing on drug abuse prevention and education and to provide ongoing technical assistance to individuals and organizations. The hallmark of the Drug Alliance program is the building of private sector partnerships which ensure the continuation of community-based drug abuse prevention projects beyond Federal funding. The Drug Alliance program employs diverse strategies to combat illegal drugs including the formation of broad-based local coalitions and summer youth drug prevention education programs.

OLDER AMERICAN VOLUNTEER PROGRAMS (OAVP)

The Older American Volunteer Programs are authorized through September 30 of this year under Title II of the Domestic Volunteer Service Act of 1973. The fiscal year 1990 budget provides for $114,925,000, a level equal to our fiscal year 1989 funding. At this level, approximately 442,400 volunteers aged 60 and over would serve in the three programs that comprise the Older American Volunteer Programs.

Retired Senior Volunteer Program.—The Retired Senior Volunteer Program (RSVP) provides persons aged 60 and over with opportunities for volunteer service in their own community. The fiscal year 1990 budget request for this program is $30,862,000.

RSVP volunteers contribute 73,300,000 hours of service at an estimated value of $242 million—a return of almost $8 for each $1 of appropriated funds. Current RSVP projects emphasize intergenerational activities, literacy, substance abuse education and prevention, in-home care for the elderly, consumer education, and crime prevention. By the end of fiscal year 1990, 402,200 older Americans will be participating in this program, which experiences a 13 percent increase in city and county government and private sector contributions from 1986 to 1987. This represents over $22 million in total funding.

To ensure maximum use of program resources in fiscal year 1990, RSVP will in fiscal year 1990 provide guidance and technical assistance to expand opportunities available to older people, and continue to promote the use of RSVP volunteers paired with Senior Companions in providing in-home services for older homebound persons.

Foster Grandparent Program.—We have had similar success with ACTION's Foster Grandparent Program (FGP). During calendar year 1987, non-ACTION sources contributed about $23 million which was equivalent to 40 percent of the fiscal year 1988 appropriation. In this program 27,700 Foster Grandparents—low-income persons age 60 or older assist approximately 70,000 children on a given day in all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. The budget request for $58,928,000 for FGP in fiscal year 1990.

ACTION project grants provide Foster Grandparents with a non-taxable stipend, transportation to and from volunteer stations, an annual physical exam, accident and liability insurance, a meal on service days, and recognition for their activities assisting children suffering from various problems, including child abuse and neglect, physical and mental disabilities, juvenile delinquency, substance abuse, and adolescent pregnancy. In fiscal year 1990, a total of 262 community-based projects would be funded through FGP, with non-ACTION funds expected to support expansion of FGP activities.

Senior Companion Program (SCP).—Our Senior Companion Program demonstrates that older persons can perform a critical role in contributing to the solutions of problem of aging. The fiscal year 1990 request level is $25,135,000.

During fiscal year 1990, the program will continue to emphasize in-home services and coordination with existing community-based home health and long-term care systems. We anticipate approximately 7,600 volunteer service years in 142 projects, assisting over 30,000 adults in acute care and long-term care institutions. Respite care services, including assistance to Alzheimer's victims and their families, will continue. Non-ACTION funding of the SCP, moreover, was equivalent to 46 percent of the fiscal year 1988 appropriation.

PROGRAM ADMINISTRATION

The fiscal year 1990 budget request for Program Administration is $27,875,000, an increase of $2,867,000 above the fiscal year 1989 level. The $2,141,000 increase for personnel compensation and benefits is attributed to the need to provide 448 FTE to carry out mandated program development, training, monitoring, accountability and evaluation. Program administration is authorized through September 30, 1989 under Title IV of the Domestic Volunteer Service Act of 1973.

During fiscal year 1989 uncontrollable costs such as rents, telecommunications, pay raises and benefits have continued to rise. Because of this, we have been unable to staff the Agency at the minimum required level of 448 FTE simply by cutting other services, as suggested by the House Appropriations Committee. Moreover, these increases have to be absorbed in areas that will have an adverse effect on Agency programs. For instance, essential ACTION training for 1,800 Project Directors had to be cancelled; project development has been slowed; and staff planning, policy and direction from the national headquarters level continues to suffer as a result of current lack of funding to fill key vacancies.

The Agency requests that Congress give full consideration to these consequences when considering the Agency's fiscal year 1990 support budget.

Mr. Chairman, members of the subcommittee, this concludes my formal statement. Let me just reaffirm our continued commitment to achieving the goals of ACTION while keeping the cost of delivering these services as low as possible. My staff and I will be pleased to answer any questions you may have, and look forward to working with you throughout this 101st Congress.

DRUG ABUSE PREVENTION

Senator HARKIN. Ms. Alvarado, thank you very much for the concise summary of your statement.

Ms. Alvarado, let me ask you about your budget. Toward the closing of your comments—I was following here—you said that you would continue for the ACTION drug alliance activities at levels enacted prior to the passage of the Urgent Supplemental Appropriations Act of 1989. That's $1.6 million.

There is a Supplemental Drug Abuse Prevention Program. That was funded in the 1989 supplemental at $2 million. And yet, your budget requests to be zeroed out, a 55-percent cut in drug abuse prevention activity under your agency. Why is that?

Ms. ALVARADO. Mr. Chairman, the $2 million supplemental appropriations were actually added to the fiscal year 1989 ACTION "Drug alliance" account bringing that funding level from $1.6 million to $3.6 million in total. The agency budget request to OMB was submitted prior to enactment of the Supplemental Appropriations Act. In ensuing negotiations with OMB, the decision was made, due to budgetary constraints and for the purposes of the Reagan budget, to keep the level of funding for the ACTION drug alliance at the fiscal year 1989 level prior to the enactment of the supplemental act—$1.6 million.

However, as I mentioned in my full statement, under the Bush budget, this item does fall within the residual category and is, therefore, subject to negotiations with the committee.

However, I would have to point out that any additional increases in program funding would require the agency either to absorb these additional requirements from other programs, thereby reducing current levels of service and volunteers in low-income communities or to require additional staffing levels in order to adequately provide for expedient disbursal of these funds. So, in all honesty, I do think it is important to point out that aspect as well.

Senator HARKIN. Let me see if I understand what you just said. Correct me if I am wrong, but as I interpret what you said, you cut out the $2 million because in order to expend that money, you would have to have some more people to do it.

Ms. ALVARADO. No; that wasn't the entire rationale when we were discussing this with OMB. As I said, the primary concern was the need for economy both on the program level as well as the program administration level, given an overall budget level which could not exceed $170.417 million.

But as I also said, this is an item in the residual category, and certainly we recognize the importance of continuing efforts toward a drug-free America. And, therefore, it is subject to negotiation.

Senator HARKIN. Let's continue on with this. In 2 years, 1987 and 1989, Congress expanded the drug abuse prevention activities by providing supplemental appropriations for that purpose. Both times you have followed up on these efforts by the Congress by requesting that we cut out the funding level for these activities in the following year. Both times.

What drug abuse prevention activities will be terminated if we accept your request to cut that drug funding by 55 percent?

Ms. ALVARADO. Mr. Chairman, we would reduce the level of activities within the area of the drug alliance to the fiscal year 1989 level, prior to the augmentation of supplemental appropriations, and we would make an effort to absorb, to the degree practicable, activities such as reaching out to youth, engaging them in positive peer pressure in convincing other young people to say no to drugs and alcohol within the full range of ACTION's programs.

For example, we would attempt to expand activities within our older American programs and increase the numbers of senior citizens engaged in inter-generational drug abuse prevention activities with young people. We would also continue, with the $1.6 million that is being proposed for the ACTION drug alliance, to fund community coalition-building efforts, to bring various facets of a community together in the fight against drugs.

Senator HARKIN. That is what you are going to do with $1.6 million.

Ms. ALVARADO. Yes.

Senator HARKIN. Well, haven't you done that?

Ms. ALVARADO. These are ongoing efforts to create drug-free communities. At the $1.6 million level of funding the numbers of new projects initiated would be diminished, obviously.

Senator HARKIN. Yes; but you have done all that before.

Ms. ALVARADO. I'm sorry, Mr. Chairman?

Senator HARKIN. You have been doing all that before with $1.6 million. You are just telling me what you have already done. We put $2 million extra in there to expand the activities in drug abuse and drug prevention.

Ms. ALVARADO. Yes; and that is what we are doing. The level of grant activity was increased in those areas of emphasis as a result of the $2 million.

Senator HARKIN. I guess what I am still trying to ask is why is there a request for zero when the intent of the Congress and the Bush administration is to do whatever we can to cut down on drugs.

One of the important agencies that can be involved in this is your agency because you can get down there with the youth, the young people. You can get the kind of volunteers. You can get the kind of help in those communities that can go out and do that kind of peer work. I can't think of a better place, as a matter of fact, than your agency to be doing some of that.

And yet, you are requesting that we cut it down by 55 percent. Again, I am still trying to find out why are you asking for a 55-percent reduction.

Ms. ALVARADO. Mr. Chairman, we are very proud of the efforts that the volunteers at the community level have engaged in across the country as a result of ACTION's funding.

As I indicated in my full statement, for the purposes of beginning discussion with the Congress, the Bush budget did adopt the Reagan budget levels for this program. However, it was made very clear that the residual category is subject to negotiation and this certainly falls into that category.

If the subcommittee and the committee determine that there are other offsets which could be made available in order to make up funding for areas that they believe to be of crucial importance in the residual category, this budget proposal offers a point of departure for continuing discussions with the committee.

Senator HARKIN. Counsel just told me that the Bush budget asks for about $70 million more just from this subcommittee in drug abuse and drug prevention over the Reagan budget.

Ms. ALVARADO. I'm not aware of the detailed budget requests of other agencies.

Senator HARKIN. But this one is zeroed out. So, again, I'm still wondering why. You say it is open for negotiation, but where is the money going to come from?

Ms. ALVARADO. That's a tough question that we will all have to confront, Mr. Chairman.

Senator HARKIN. Maybe it is just someplace else within your budget here.

Ms. ALVARADO. In keeping with the requisite budgetary constraint, I really believe that the budget proposal that we have presented to you is fair, a bare-bones level budget to carry out the purposes of the Domestic Volunteer Service Act for 1990. I believe any cuts below the proposed level would adversely affect the community volunteers, many of whom are low-income themselves, who are working to help the poor and the elderly in the poorest communities across the country.

Senator HARKIN. Ms. Alvarado, I am sure you agree with me and with the President that the biggest problem we have facing this country today aside from the deficit is the drug problem. The American people agree on that. Wherever we can find places to fight it, to combat it, especially among the youth of this country, we have to expend those energies and those efforts to do so.

Now, if you are telling me that your agency can't do it, if you are telling me that the drug prevention program that Congress has put in there, that your agency is not the proper place to do it, that you can't handle it, that this is something that is outside of your purview, I can accept that, and we will move on and we'll find somebody else to do it.

Ms. ALVARADO. That is absolutely not what I'm saying, Mr. Chairman.

We have programs, for example, in Iowa non-Drug Alliance Programs, such as RSVP in Iowa Lakes, which has established the BABES Program, reaching very young children in preschool and kindergarten. In Sioux City, we have three VISTA volunteers who are serving at the Gordon Chemical Dependency Center. We also have other drug abuse prevention programs within our Student Community Service and Senior Companion Programs.

I don't believe the large agencies can adequately to the degree that we are able, reach the grassroots organizations to mobilize American communities.

Senator HARKIN. But then these good programs you told me about in Iowa—we are going to have to cut back on them now. Right? You are going to lose 55 percent of your budget in this area. So, we're going to lose some of those people in Iowa.

Ms. ALVARADO. No; in the nondrug alliance category, Mr. Chairman, our budget request for 1990 is proposing appropriations to maintain current levels of services.

Senator HARKIN. I beg your pardon?

Ms. ALVARADO. The examples that I gave you were from ACTION programs outside of the drug alliance. They are RSVP and VISTA. What we are requesting for nondrug alliance activities for 1990 represents current level of services and for the drug alliance, current services prior to enactment of the fiscal year 1989 supplemental.

Senator HARKIN. So, you are saying you are going to increase the drug activities in some of these other areas. Is that what you are saying?

Ms. ALVARADO. Yes; we have in our fiscal year operating plan for 1989, for example, the continued focus area of drug abuse prevention for all of ACTION's programs.

Senator HARKIN. We may follow up on that.

SENIOR COMPANION PROGRAM

I have to move on. Ms. Alvarado, since you mentioned Iowa—I'm glad you did—in 1988 and 1989, this committee provided sufficient funds to develop 44 new senior companion programs and instructed in our report—let me read this to you, Ms. Alvarado. This is on page 255 of our report. Here is the exact language. We instructed: "The committee intends for the new projects to be located in areas, both urban and rural, with the greatest concentrations of homebound elderly citizens."

You informed this committee that you had complied with this directive in allocating funds for the new projects. Well, my State of Iowa, which only has one senior companion program funded by ACTION, was not allocated any of the new projects even though it ranks fourth in the Nation in the percentage of citizens that are elderly. And, in fact, Iowa ranks first in the Nation in the percentage of frail elderly age 85 and older, precisely who the senior companion program is designed to serve. Iowa ranks first in the Nation.

Ms. Alvarado, can you please explain to me why Georgia, with one of the lowest concentrations of elderly in the country, was allocated four new projects while Iowa got none?

Ms. ALVARADO. The notice of availability of funds was published in the Federal Register giving the criteria for the disbursal of these funds in April 1988. A total of 179 applications were received from the nine ACTION regions, and the agency was able to fund 44 of these new grants, as you mentioned.

The primary criteria in allocating funds for the stipended older American programs such as Senior Companions and Foster Grandparents is predicated on the number of low-income senior citizens residing in different parts of the United States. It has been our goal, with the limited resources available in the senior companion program, to ensure that regionally and statewide, to the extent that we could, we would be able to allocate these funds in accordance with this resource allocation formula.

The primary focus of the new projects was the development of the services to assist homebound elderly to remain in their own homes. And the new projects were targeted for both urban and rural areas with high concentrations of homebound elderly citizens to facilitate the independence of these individuals.

I would ask the deputy director of the agency to give more specifics in terms of the allocation of funding in region 5, which is the region within which Iowa falls.

Senator HARKIN. Let's clear up one thing first, though. You said that your primary criteria was the number of low-income elderly, but the program is targeted to use volunteers. The volunteers you use are low-income elderly.

Ms. ALVARADO. That's correct, Mr. Chairman.

Senator HARKIN. I just wanted to make that clear. Not the people you serve necessarily.

Ms. ALVARADO. That's correct.

Senator HARKIN. But the volunteers.

Ms. ALVARADO. Yes.

Senator HARKIN. Thank you.

Ms. KENNY. Senator, we will be happy to provide the resource allocation formula that the agency uses for the distribution of these resources. But I can say with regard to the 44 projects that were funded last year as a result of the new appropriation, that each region was allocated funds according to that formula.

Within the region where Iowa is located, the States that were most underrepresented were Illinois, Indiana, and also there were three States that were even, Iowa, Minnesota, and Wisconsin. We awarded grants——

Senator HARKIN. Excuse me. Even in what?

Ms. KENNY. In terms of being underrepresented. I'm sorry.

Senator HARKIN. Underrepresented.

Ms. KENNY. That's correct.

Senator HARKIN. What does that mean?

Ms. KENNY. That means that according to the formula, they were not receiving the appropriation that they normally would be entitled to if we had more resources. So, we used our new resources to allocate to States that previously did not have what they nor-

mally would be entitled to under the formula to bring them up to where they should be.

Senator HARKIN. Up to where they should be. Well, let me find Illinois on here. Illinois ranks 28th in persons 65 or older, and they rank about 25 or something like that in people 85 or older.

What was the other one? Indiana?

Ms. KENNY. Indiana.

Senator HARKIN. They are about right down there with Illinois, about the same place. Indiana is No. 30.

Ms. KENNY. If you compare the appropriations that these States currently receive from our agency to their low-income senior population statistics, Illinois, according to our formula, before the awards were granted, was underrepresented by 0.9 percent. Indiana was underrepresented by 0.2 percent. With regard to Iowa, Minnesota, and Wisconsin, they were each underrepresented by 0.1 percent.

When we awarded the grants, Illinois received one, Indiana received one, and Wisconsin received one. One factor that was involved in the selection of Wisconsin was the fact that the applicant represented a native American community. Since one of our criteria was to seek out minority representation as well, the final selection for the final grant did go to Wisconsin. It went to the Greater Lakes Intertribal Council.

Senator HARKIN. Ms. Kenny, all I can say is there must be something wrong with your formula.

Again, I'll just read the intent. "The committee intends for the new projects"—I'm talking about the new projects—"to be located in areas with the greatest concentrations of homebound elderly citizens." I don't see anything in there saying that we intend all these States to brought up to some level that you have in some kind of formula. And if your formula says that Georgia that has one of the lowest concentrations of elderly gets four new projects, Iowa with the highest concentration gets none, there is something wrong with your formula, don't you think?

Ms. KENNY. The distribution is in relation to the ACTION funds that they are already receiving. So, in that context, Georgia had significantly lower than they were entitled to by their low-income senior population.

Ms. ALVARADO. Mr. Chairman, what we are attempting to do with the limited funds that we have available to us is to juggle a lot of competing priorities.

Certainly under title II of the Domestic Volunteer Service Act, the requirement for disbursal of senior companion moneys is predicated on enabling low-income senior citizens to participate in the program. In addition, as you mentioned, in the report language, there was the criteria to enable us to try to reach as many homebound persons, and that criteria was, in fact, in the Federal Register notice. And so, we attempted to meet these various legislative requirements that we have facing us with very limited levels of funding compared to the number of applications that came in.

Senator HARKIN. Something is wrong, Ms. Alvarado, when Georgia with one of the lowest concentrations of elderly in the country has six projects, Iowa, No. 1, has one. There is something wrong with your formula.

Now, who drew up this formula? Did we do it or did you do it?

Ms. ALVARADO. The authorization committee placed in our enabling statute the requirement that the older American programs reach primarily low-income senior citizens to enable them to reap the benefits of volunteer service in a partly stipended volunteer program. We are required to carry that intent out in the disbursal of our senior companion moneys.

If the committee were to choose to change that primary focus to base the disbursal of these funds on the clients, on the number of homebound elderly, then of course we would follow suit, although we would oppose that because we believe that is contrary to the intent of the original enabling legislation.

I would simply say that we are trying to carry out the full spirit and letter of the law whether it is through the enabling legislation or committee reports, but sometimes it is not possible to accommodate every single aspect in meeting the needs that exist across the Nation.

Senator HARKIN. Well, again, I know precisely what you just said, and it is at odds with what we said last year. "Intends for the new projects to be located in areas with the greatest concentrations of homebound elderly citizens." Now, if I have to keep reading this thing all day, I'll read it all day.

Ms. ALVARADO. Mr. Chairman, we will be happy to provide further explanation for the record.

[The information follows:]

In developing the new FY 88 Senior Companion Program (SCP) projects award process, the following factors were considered:

I. Statutory Language

1. Title II, Part C, Sec. 213(a),

> "The Director is authorized to make grants to or contracts with public and nonprofit private agencies and organizations to pay part or all of the cost of development and operation of projects...designed for the purpose of providing opportunities for low-income persons aged 60 or over to serve as "senior companions" to persons with exceptional needs"

2. Title II, Part B, Sec. 211(3)(2)

> "(2) any person whose income is not more than 100 per centum of such poverty line, as so adjusted and determined by the Director after taking into consideration existing poverty guidelines as appropriate to local situations. Persons described in paragraph (2) shall be given special consideration for participation in projects under this part.

3. Title II, Part D, Sec. 223

> "The Director shall take appropriate steps to insure that special efforts are made to recruit, select, and assign qualified individuals sixty years and older from minority groups to serve as volunteers under this title.

II. Senate Appropriations Committee Report

"For the Senior Companion Program the Committee intends for funds appropriated above the level provided by the House to be used for the development of new Senior Companion projects. ... The Committee intends for the new projects to be located in areas, both urban and rural, with the greatest concentrations of homebound elderly citizens"

III. Resource Allocation Formula for SCP

The Resource Allocation Formula for SCP is as follows:

1. One percent of the fiscal year budget will be retained by DO/Headquarters for SCP special purpose projects;

2. Twenty-five percent of the fiscal year budget will be divided among the ACTION regions based on a division into 53 parts; one part for each state, the District of Columbia and Puerto Rico; one-half part for the Virgin Islands; one-quarter part each for American Samoa and Guam;

3. Seventy-four percent will be divided among the ACTION Regions based on regional percentages of U.S. senior population whose income falls within the area of poverty (defined by PL 93-113, as amended), as the target population of volunteers, using latest available Census Bureau data.

The allocations represent targets to be attrained primarily through distribution of funds appropriated for new projects and/or expansions. Ongoing established programmatic activity will not be reduced solely to implement the formula.

The Regions, in targeting new funding within the region, should consider target population demographics as a key factor.

To implement the new project award process, the agency issued a Notice of Availability of Funds in the FEDERAL REGISTER which factored in both the statutory language of Title II of the Domestic Volunteer Service Act of 1973, as amended, and the intent of Congress as expressed in Senate Appropriations Committee Report.

In selecting the new SCP projects to be funded in Region V (in which Iowa is located), the agency considered both the Notice of Availability of Funds and the SCP resource allocation formula. As the chart below illustrates, from among those applications which met the criteria specified in the Notice of Availability of Funds, the finalists were applicants from states which were most underrepresented in ACTION SCP resources in relation to their percentage of the U.S. senior population whose income falls within the area of poverty (defined by PL 93-113, as amended) as the target population of volunteers. Illinois, which was underrepresented by .9%, and Indiana, which was underrepresented by .2%, each were awarded a new project. In addition, Wisconsin, which was underrepresented by .1%, also received a grant. With regard to the latter, it should be noted that although three states were underrepresented by .1%, the Wisconsin application was from a minority applicant, the Great Lakes Inter-Tribal Council. This was a determining factor in the final selection process which is in accordance with Title II, Part D, Sec. 223 of the Domestic Volunteer Service Act of 1973 as amended.

ACTION **Region V Distribution of FY 1988 Senior Companion Program Funds**

	Regional Allocation Formula (RAF) for each State	*Actual percent distribution before new grants*	*Difference between RAF and Actual distribution before new grants*
Illinois	3.3%	2.4%	-0.9% *
Indiana	1.9%	1.7%	-0.2% *
Wisconsin	1.4%	1.3%	-0.1% * * *
Iowa	1.4%	1.3%	-0.1%
Minnesota	1.7%	1.6%	-0.1%
Michigan	2.6%	3.4%	0.8%

* *One new SCP grant awarded*

* * *Grant awarded to minority sponsor -- Great Lakes Inter-Tribal Council.*

HOMEBOUND ELDERLY CITIZENS

Ms. ALVARADO. But, again, I would point out that when we put the RFP out there, it was made very clear that the primary focus of the new projects was development of senior companion services to assist homebound elderly to remain in their own homes. The new projects were targeted for both urban and rural areas with high concentrations of homebound elderly citizens. We did comply with the intent, and we will be happy to provide further documentation and respond to any further questions that you have in that regard.

Senator HARKIN. Well, that could have been in the RFP. You just read me what was in the RFP.

Ms. ALVARADO. That's correct.

Senator HARKIN. But what was in the formula when you finally allocated the funds?

Ms. ALVARADO. The basis for making the determinations were what was the criteria in the RFP, as well as the criteria in the resource allocation formula which is predicated on our authorizing statute.

Senator HARKIN. But not this criteria?

Ms. ALVARADO. Yes; both were incorporated.

Senator HARKIN. Well, wait a minute. I don't see how it could have been when I see where the projects went.

Ms. ALVARADO. As I said, I will have to look into that further, and I will be happy to give you further explanation, Mr. Chairman.

Senator HARKIN. I wish you would because I'm greatly upset about it; Utah has less than one-third of the elderly citizens that Iowa has. It is 50th in the Nation in the percentage of elderly citizens, 49th in the Nation in the percentage of frail elderly. They got one new project. Iowa didn't. That doesn't make sense to me especially in light of the explicit direction that we gave in our report. I don't know how much more explicit we can be than that unless we start doing something with the numbers.

Now, there was one other thing. Yes; the literacy program.

VISTA LITERACY CORPS

I have been contacted by a number of VISTA literacy projects in my State, and I have to tell you they are very upset. They have been told by the ACTION office that none of their literacy volunteers will be renewed this year. There will be no enrollments, extensions, or placement of new trainees on any literacy project in 1989. They are also being told that while there are vacancies for standard VISTA volunteers in Iowa, they will not be allowed to continue these volunteers as standard VISTA's.

Because of this directive from ACTION, the number of literacy volunteers in Iowa will drop more than 80 percent by this summer. My question is: Is ACTION terminating these programs in 1989, because you are not requesting funds for the Literacy Corps in 1990? I see here it was $2.838 million for fiscal year 1989, and you have requested zero dollars for it in fiscal year 1990. And yet, in Iowa we are going to have to cut it back by 80 percent. Why is that?

Ms. ALVARADO. Mr. Chairman, first of all, the answer to your question is no. We are not shutting down existing projects, nor are

we closing out existing volunteers. The intent in the proposal that we have before you is to incorporate these volunteers and these projects into the regular VISTA program. They will continue to perform their services in the area of reaching adult illiteracy in the communities as they are currently doing.

As this committee knows, the separate Literacy Corps was first created by 1986 amendments to the Domestic Volunteer Service Act. The agency has found that a separate literacy corps within VISTA and the establishment of a separate volunteer set-aside at the national level reduces the flexibility of local communities to effectively match volunteer resources with community needs, whether it be literacy, drug abuse prevention, homelessness, unemployment, or other areas of primary need.

Although resources dedicated to literacy projects have traditionally been and will continue to be a major commitment of the VISTA program, we do not believe that a separate authorization or appropriation level is necessary or desirable. Therefore, the administration is proposing that beginning in fiscal year 1990, all existing Literacy Corps projects and volunteers not be terminated, but be transferred to the regular VISTA program and funded within that appropriation.

Senator HARKIN. Well, do you know why they might be told that they are not going to allow these volunteers to continue as standard VISTA's then?

Ms. KENNY. Senator, I am not familiar with any information they were provided in that regard. I will be happy to check with our regional staff and get the specific guidance that was given. But I will say, however, that we have not from headquarters issued any guidance to that effect.

Furthermore, the only criteria I know that would necessitate them to be advised to that effect would be the normal constraint, that they are at the ceiling with regard to their normal appropriation. And if they are producing at a level that will, in essence, use their entire appropriation for this year, whether it be in Literacy Corps or in VISTA, that would be the only criteria that I know of. But I will be happy to look into it and provide it for the record.

Senator HARKIN. Please do so because from what you are telling me, that the number of literacy volunteers won't drop in Iowa, that they can just fold them into the regular VISTA program. That's what you're telling me.

Ms. KENNY. That's correct.

Senator HARKIN. Well, I have been told here. I have seven community colleges in Iowa that will be losing their literacy volunteers this summer they tell me. Now, I would like you to look into that and find out what is going on.

One of my community colleges says it will result in the termination of all of the literacy volunteers in a seven-county area in western Iowa, and you are telling me that that's not going to happen, that they can fold them into the regular programs. Please work with my staff.

Ms. KENNY. As a general policy, I can say that, Senator. I don't know the specific terms with regard to this particular project. As you know, VISTA volunteers are a temporary resource, and it's a cyclical use of Federal funds.

I will look into the specifics on the project you referenced.
[The information follows:]

The Iowa literacy projects referenced by the Senator are all funded by Section 109 appropriations. In Region V, the Regional Director had placed a freeze on the placement, renewal, or extension of these volunteers since otherwise the region would have obligated funds in excess of its budget.

Although Iowa was potentially overfunded in its Section 109 programs, at the same time it was underproducing in its regular VISTA allocation.

As the attached memorandum indicates, subsequent to the hearing, the ACTION Regional Director submitted a plan for approval which transferred the Section 109 projects and volunteers into the regular Iowa VISTA appropriation. This will resolve the problems of Iowa's overproduction of Literacy Corps Supplement VSY's, while at the same time more than rectifying their underproduction of Standard VSY's. Reclassification of these projects (from Literacy Corps Supplement to Standard VISTA projects) also will enable the Region to lift the Region-wide freeze on all Literacy Corps Supplement VISTA Training entries, re-enrollments, and extensions.

It should be noted that the situation cited by Chairman Harkin illustrates some of the difficulties that have occurred as a result of there being a separate Literacy Corps with individual authorizations, appropriations, payroll records, and automated tracking systems.

It should also be pointed out that if Iowa's literacy projects and overproduction had occurred within its regular VISTA appropriation, with a concurrent underproduction in its Section 109 allocation, the agency would not have had the flexibility to alter the situation due to the current statutory language which says that Section 109 literacy initiatives must supplement not supplant existing VISTA projects.

As I stated in my testimony, the agency continues to believe that the local community should be given the necessary flexibility to determine its own needs and best uses for its VISTA resources within ACTION policy guidelines. For this reason we are proposing that the current Section 109 Literacy Corps projects and volunteers be transferred into the VISTA appropriation in fiscal year 1990

MARCH 14, 1989.

To: Jane A. Kenny, Acting Associate Director/DO.
From: Cynthia Rudmann, Acting Regional Director, Region. V.
Subject: Iowa VISTA Literacy Corps Supplement Projects.

Upon further review, I am proposing that the following VISTA Literacy Corps Supplement projects in Iowa be converted to Standard VISTA projects: Eastern Iowa Community College, Davenport; Iowa Western Community College, Council Bluffs; Indian Hills Community College, Ottumwa; Hawkeye Institute of Technology, Waterloo; Iowa Valley Community Education, Marshalltown; Northeast Iowa Technical Institute, Calmar; and Southwestern Community College, Creston.

This will resolve the problem of Iowa's overproduction of Literacy Corps Supplement VSY's, while at the same time more than rectifying their underproduction of Standard VSY's.

Reclassification of the above-named projects (from Literacy Corps Supplement to Standard VISTA projects) also will enable the Region to lift the Region-wide freeze on all Literacy Corps Supplement VISTA training entries, re-enrollments and extension.

JANE A. KENNY.

YOUTH ENTERING SERVICE PROPOSAL AND VISTA LITERACY CORPS

Senator HARKIN. One last thing. Ms. Alvarado, in President Bush's recent budget statement "Building a Better America," he discusses his new initiative for youth entering service, the YES Program, and says that the initiative may be based on two model programs in your agency, the student community service program and the VISTA Literacy Corps, which we just talked about.

Can you tell me why, if the Literacy Corps is considered a model program, is the administration proposing to terminate funding for it next year?

Ms. ALVARADO. The youth entering service proposal is still in development. I do not know what the specific parameters of that proposal will be when it is finalized.

However, I do know that Mr. Gregg Petersmeyer, who is the Deputy Assistant to the President for National Service serving in the office which President Bush created in the White House specifically to find innovative private-public partnerships, to expand the service of American young people to their communities, and to low-income communities, is making every effort to look at all existing models for service. And certainly, a natural place to begin was looking at ACTION's programs, and they have. I am sure our programs will continue to be reviewed as well as other programs that exist in the private sector, with the purpose of coming up with a proposal that will meet the President's goals.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Ms. Alvarado, thank you very much. If you would follow up on the Literacy Corps in Iowa and find out what is happening on that, I would certainly appreciate it.

And also, we are going to take a look at the drug abuse prevention and these projects. I want to follow up on those new projects.

And again, we will put that report language back in there again this year, but we may have to do something a little more stringent than that.

Ms. ALVARADO. Mr. Chairman, thank you very much. And we look forward to working with you and your staff in clarifying these issues and moving forward on behalf of the ACTION agency.

Senator HARKIN. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

QUESTION 1:

Have you evaluated the Literacy Corps? If not, and the committee appropriates funds for the Corps in FY 1990, do you have plans to evaluate the Literacy Corps as the Domestic Service Act requires you to do?

ANSWER 1:

We have not evaluated the VISTA Literacy Corps. Since we have proposed to transfer the Literacy Corps to the regular VISTA program next year, we have no plans to do an evaluation in FY 90.

Except for the emphasis area, there is no major distinction between regular VISTA and Literacy Corps projects. We,therefore, believe that many of the findings of the VISTA Goal Accomplishment and Community Effects Evaluation study, completed in FY 88, would apply to both types of projects, i.e. volunteer activities, goal accomplishment, resource mobilization, benefits to the low-income community, etc.

QUESTION 2:

Your budget requests that we provide an additional $2 million to adjust the VISTA subsistence allowance to the appropriate poverty standard. Do you now plan to contiue to submit budgets which do not allow the allowances to fall behind the national poverty level, as they have so often done in the past?

ANSWER 2:

Administration budget requests alone do not prevent the allowance from falling behind the national poverty level. This is illustrated by the fact that the FY 88 ACTION Congressional budget submission included funds to raise the VISTA subsistence allowance by 10%. Unfortunately, however, Congress subsequently funded the program at $882,000 below the Administration's VISTA budget request thereby necessitating the subsistence increase to be implemented in two phases over a six month period rather than in its entirety at the beginning of the fiscal year which was the Administration's plan.

We are confident that ACTION's FY 90 request for an 11.5% increase in the VISTA subsistence allowance and any future requests will be given careful deliberative consideration within the context of overall executive branch budgetary constraints.

QUESTION 3:

On page 31 of the FY 1990 budget submission, the agency states that "there is a growing desire by young people to do volunteer service." Yet, the number of individuals ages 18-25 serving in VISTA is the smallest it has ever been, down from 74 percent in 1967 and 33 percent in 1978 to 13 percent in 1988.

Given this increased interest, how do you intend to recruit more youth, outside of your proposed goal of increasing the involvement of recent college graduates by 5 percent.

Do you plan to run any print or TV/Radio ads? Do you plan to do any recruiting of high school seniors?

ANSWER 3:

The Domestic Volunteer Service Act calls for the Agency to provide Americans of all ages and walks of life with the opportunity to serve in VISTA. The percentage of Volunteers in the 18-25 range was 13% as of January 1988, a year later it had climbed to 14%. According to the U.S. Bureau of the Census, the percentage of Americans now within the age group of 18-24 is approximately 11.5%. We expect that our efforts to increase the number of recent college graduates will expand the overall numbers of VISTA Volunteers in that age category.

At this time we are developing a media listing of all college-owned radio stations. In FY 1990 we plan to provide those stations with public service announcements to raise an awareness of the VISTA program.

We have no plans to conduct any efforts aimed specifically at the recruitment of high school seniors. Individual project sponsors who wish to target that group can do so at the local level.

QUESTION 4:

The agency's FY 1988 budget submission referred to a VISTA "Talent Bank" which was established to ensure that a portion of VISTA volunteers are placed in projects outside their own communities. The agency's FY 1990 budget submission, however, contains no information about this Bank. What is its current status? Specifically:

-- How many names have been recorded in the Talent Bank to date? How many were recorded in fiscal years 1988 and 1989?

ANSWER 4:

The purpose of the VISTA Talent Bank is to assist sponsors in the recruitment of VISTA Volunteers with specific skills or experience not readily available in some communities, and to identify recent or soon-to-be college graduates who express an interest in the VISTA program. A total of 2174 names have been recorded in the Talent Bank as of February 1989, including 380 names recorded in FY 88 and 187 names in FY 89.

QUESTION 4:

-- What are the sources of these names?

ANSWER 4:

The sources of these names are information tear-off cards contained on VISTA display posters at college campuses throughout the country which are returned to VISTA Headquarters; Interest Survey cards distributed by and returned to ACTION State Offices; and letters of inquiry received by VISTA Headquarters containing skill/educational background information on the individual.

QUESTION 4:

-- What actions have been taken to make the existence of the Bank known to regional and state agency personnel and project sponsors?

ANSWER 4:

The attached August 12, 1987 memo (Attachment A), describing the operation of the VISTA Talent Bank was distributed to all ACTION State and Regional Office staff. The attached March 29, 1988 letter from the Director of VISTA to all VISTA sponsoring organizations (Attachment B) discusses the Talent Bank and how it can be used by sponsors to obtain volunteers who possess specific skills or qualifications needed by projects. ACTION State Offices make this same information available to new projects as they begin their volunteer recruitment process.

QUESTION 4:

-- How many inquiries did the Talent Bank receive in fiscal years 1988 and 1989?

ANSWER 4:

FY 88 - 1
FY 89 (todate) - 0

QUESTION 4:

-- How many Talent Bank entries have actually been placed as Volunteers?

ANSWER 4:

Since FY 87, the Talent Bank identified two individuals placed as Volunteers in Nevada and one placed in Texas.

QUESTION 5:

The agency's FY 1990 budget submission indicates that it will seek to increase the number of college graduates recruited for VISTA by 5 percent in the coming fiscal year. Please tell the committee the number and percentage of volunteers in FY 1987 and 1988 who were college graduates. (Please provide the number of total volunteers and the number of college graduates.)

Is the FY 1988 number the number you are using as the basis for the 5 percent increase?

Please describe in greater detail how the agency will attempt to meet this goal of a 5 percent increase.

ANSWER 5:

During the Fiscal Year 1987 Round I Data Collection of the VISTA Goal Accomplishment and Community Effects Evaluation study, 41% of the VISTA Volunteers surveyed at a sample of 45 projects indicated that they had at least a bachelor's degree. We have no data on the educational background of all VISTA Volunteers in FY 87.

Data was collected on the number of recent four-year college graduates (Classes of 83-88) as of September 30, 1988. That number was 271, or approximately 10% of the 2733 Volunteers serving at that time. That number (271) is also the base against which the five percent increase in FY 89 will be measured.

To assist in achieving a five percent increase in the number of recent college graduates, we have already taken the following actions:

1. A VISTA advertisement was printed in campus newspapers at approximately 200 colleges and universities during September 1988;

2. An October 24, 1988 letter from the Director of VISTA to all VISTA Sponsors encourages them to contact college campuses as well as ACTION-funded Student Community Service projects as possible VISTA recruitment sites;

3. Fifty-five thousand copies of the VISTA recruitment brochure and Student Loan Fact Sheet, which describes VISTA Volunteer eligibility for deferment and/or partial cancellation of certain categories of student loans, were mailed to approximately 2200 college placement directors on November 1, 1988. An additional mailing to College

Placement Offices is also planned for the Second Quarter of FY 1989.

4. The Campus Outreach Opportunity League (COOL) was awarded a grant from ACTION to produce a technical assistance booklet which will help VISTA sponsors in making contacts with soon-to-be or recent college graduates. This booklet will be mailed to VISTA sponsors in the Third Quarter of FY 1989.

5. A January 27, 1989 letter from the Director of VISTA to all recent college graduates serving in VISTA encourages them to recruit one more recent college graduate to join VISTA in the next year.

We will also be distributing VISTA display posters to approximately 2200 college campuses in early April, along with VISTA brochures and student loan fact sheets. The posters contain tear-off cards which request skill and educational background information from potential applicants for inclusion in the VISTA Talent Bank.

QUESTION 6:

How many times did the ACTION Advisory Council meet during the last year?

ANSWER 6:

The National Volunteer Advisory Council met twice during the last year - March 10, 1988 and June 10, 1988.

QUESTION 7:

Were any funds appropriated pursuant to the Domestic Volunteer Service Act used to support activities of the Advisory Council?

ANSWER 7:

The travel and per diem for the March meeting in Washington totaled $7,831,85 (travel) and $544.00 (per diem).

The travel and per diem for the June meeting in Washington totaled $6,427.24 (travel) and $544.00 (per diem).

QUESTION 8:

What efforts have been made to include representatives of ACTION's major programs, such as VISTA or the Older American Volunteer Program Directors, on the Advisory Council?

ANSWER 8:

Advisory Council members have historically not included representatives of Agency programs.

Volunteer members of the National Volunteer Advisory Council have been drawn from the larger community to represent a cross section of business and labor leaders, the voluntary sector, the media and persons with subject matter expertise who can provide input from a fresh perspective. Historically, the membership has not included individuals or organizations who have a grant or contractual relationship with the Agency.

Project directors, sponsors, and volunteers are provided with regular opportunities to comment on Agency programs and policies through Agency training, conferences and oversight visits. Input from Associations is solicited on a regular basis, at least annually at meetings with agency officials and through periodic conversations and correspondence.

This dual approach has worked well in the past and we have no reason to believe that it will not continue to in the future.

QUESTION 9:

How many new non-stipended Foster Grandparent and Senior Companion volunteers have entered these programs since enactment of Public Law 99-551 in October of 1986?

ANSWER 9:

As of the end of FY 1988, a total of 75 non-stipended volunteers were serving in the two programs. Of these, 39 were Senior Companions and 36 were Foster Grandparents. For FY 1989 we are projecting that about 150 non-stipended volunteers will be enrolled in FGP and SCP. At the end of the 1st Quarter, Regional Offices reported 56 non-stipended volunteers have been enrolled in SCP and FGP projects funded during the 1st Quarter of FY 1989.

QUESTION 10:

How does this figure compare to the number of non-stipended volunteers who were enrolled in FGP/SCP prior to the enactment of the non-stipended provisions?

ANSWER 10:

We are unable to make such a comparison as there is no available data on non-stipended volunteers for the period preceeding enactment of these provisions. Prior to enactment, the Agency had no basis or reason for collecting such information.

QUESTION 11:

Last year, your Congressional budget submission indicated that $119,500 was allocated for a comparative evaluation of Foster Grandparent/Senior Companion non-stipended volunteers.

-- Was this amount of money spent on this evaluation?

-- In your opinion did the numbers of non-stipended volunteers justify the expenditure of a contract in this amount?

ANSWER 11:

The actual total cost for this evaluation was much lower. The work was done internally through the employment of a consultant for $31.8 dollars. This lower amount is justified given the nature, scope, and type of evaluation undertaken, as well as the number of non-stipended volunteers. ACTION succeeded in finding a venue to reduce the overall costs.

QUESTION 12:

I note in ACTION's FY 1990 budget submission that you have included a request for program funds for Foster Grandparents ($20,000), Senior Companions ($20,000), and RSVP for communications purposes ($43,000).

What are your specific plans with respect to developing public awareness materials for these programs?

ANSWER 12:

Although specific public awareness plans can not be finalized for FY 1990 pending congressional action on our appropriations, items anticipated in the communications budget include program specific recruitment materials, flyers, posters, films, and videos. Funds are utilized for the design, production, duplication and distribution to local projects.

Currently under consideration for FY 90:

SCP: FY 90 Public Awareness Plan

o Brochures $20,000

FGP: FY 90 Public Awareness Plan

o FGP Highlight Booklet $20,000

RSVP: FY 90 Public Awareness Plan

o Small Recruitment Poster $15,000
o Flyers $28,000

QUESTION 13:

Please provide for the record a listing of the kinds of public awareness materials that have been developed during the past two years for each of the three OAVP programs, and include the cost of each.

ANSWER 13:

The following chart displays the categories of materials and costs for the Retired Senior Volunteer Program, the Foster Grandparent Program and Senior Companion Program. In addition, generic Public Affairs materials developed for all ACTION programs, e.g. national volunteer week posters, ACTION Update, etc., are also provided to OAVP projects.

Public Awareness Materials Developed with Program Funds - FY 87 and FY 88

	Item	FGP	RSVP	SCP	Total
FY 1988					
	National Volunteer Week letter - reproduction	2,000	7,000	1,000	10,000
	Distribution - mailing contract	500	1,700	250	2,450
	FGP Poster - design and reproduction	7,064			7,064
	FGP Video	11,200			11,200
	FGP Die Hub - postal cancellation	2,335			2,335
	FGP Recognition - travel and materials	11,883			11,883
	RSVP Poster design and reproduction		10,915		10,915
	FY 1988 Program Subtotal	**34,982**	**19,615**	**1,250**	**55,847**
FY 1987					
	National Older Americans Month Poster -				0
	- design and reproduction	2,050	4,508	1,348	7,906
	Field distribution of program insignia	75	150	75	300
	Distribution - mailing contract	5,000	3,000	500	8,500
	FY 1987 Program Subtotal	**7,125**	**7,658**	**1,923**	**16,706**
	TOTAL				**72,553**

QUESTION 14:

Please supply for the record a table, by state and by program, of non-federal funding of ACTION projects. Please identify the amount of funding provided by state and local governments and the amount provided by private sources.

ANSWER 14:

The following charts for each OAVP program identify non-federal funding for calendar year 1987.

SCP 1987 Non-ACTION Funding

	State and Local Government Total	Private Resources Total
	(000)	(000)
Alabama	48.8	149.0
Alaska	35.4	155.2
Arizona	36.0	78.4
Arkansas	36.5	33.1
California	955.1	32.4
Colorado		67.5
Connecticut	338.8	18.6
Deleware	13.8	42.1
District of C.	218.0	29.6
Florida	5.5	165.3
Georgia	611.8	29.3
Hawaii	176.2	2.1
Idaho	23.4	17.7
Illinois	370.6	35.2
Indiana	144.8	60.5
Iowa	51.0	4.3
Kansas	52.0	25.0
Kentucky	32.1	30.1
Louisiana	18.0	9.0
Maine	51.3	8.7
Maryland	60.4	40.3
Massachucetts	111.5	62.9
Michigan	1,074.0	105.0
Minnesota	385.4	100.1
Mississippi	10.9	7.8
Missouri	23.5	30.5
Montana	199.8	46.7
N. Carolina	56.8	44.4
Nebraska	19.6	15.0
Nevada	42.5	2.7
New Hampshire	21.2	26.2
New Jersey	202.2	16.7
New Mexico	453.0	3.0
New York	1,343.9	73.6
North Dakota	20.2	29.1
Ohio	140.9	159.5
Oklahoma	28.4	55.3
Oregon	87.8	64.1
Pennsylvania	277.5	58.1
Puerto Rico/V.I.	33.5	13.9
Rhode Island	55.0	26.0
S. Carolina	37.9	11.3
South Dakota	9.2	35.7
Tennessee	46.9	53.5
Texas	79.3	82.6
Utah	137.1	30.4
Vermont	0.0	0.0
Virginia	6.8	29.6
Washington	116.5	46.7
West Virginia	17.5	21.5
Wisconsin	67.3	14.0
Wyoming	30.9	11.0
Total	$8,416.5	$2,310.3

RSVP 1987 Non-ACTION Funding

	State and Local Government Total Funding (000)	Private Sector Total Funding (000)
Alabama	799.1	299.0
Alaska	79.6	56.8
Arizona	41.2	93.5
Arkansas	159.2	172.9
California	1,131.7	979.6
Colorado	151.6	496.8
Connecticut	257.7	286.5
Deleware	188.6	27.6
District of C.	1.0	38.4
Florida	471.4	765.1
Georgia	251.9	102.8
Hawaii	179.1	38.1
Idaho	41.3	80.8
Illinois	373.3	342.3
Indiana	89.5	323.0
Iowa	285.7	210.8
Kansas	123.9	195.9
Kentucky	103.9	122.1
Louisiana	167.0	89.0
Maine	94.2	107.2
Maryland	364.7	121.7
Massachucetts	376.6	93.3
Michigan	309.9	140.0
Minnesota	667.6	365.9
Mississippi	267.6	166.5
Missouri	106.4	223.3
Montana	115.0	127.4
N. Carolina	517.6	97.5
Nebraska	215.0	146.2
Nevada	123.2	95.5
New Hampshire	169.3	178.1
New Jersey	357.7	460.0
New Mexico	375.4	22.0
New York	833.1	1,321.5
North Dakota	64.2	90.9
Ohio	408.8	675.0
Oklahoma	265.2	173.9
Oregon	258.5	171.4
Pennsylvania	406.2	788.1
Puerto Rico/V.	173.1	14.0
Rhode Island	197.4	133.0
S. Carolina	58.8	157.9
South Dakota	187.0	69.3
Tennessee	377.0	123.9
Texas	1,062.2	435.7
Utah	273.4	54.8
Vermont	86.9	161.9
Virginia	282.1	296.6
Washington	262.5	434.6
West Virginia	70.8	135.7
Wisconsin	466.7	82.6
Wyoming	17.5	19.5
Totals	**$14,708.3**	**$12,405.9**

FGP 1987 Non-ACTION Funding

	State and Local Government Total (000)	Private Resources Total (000)
Alabama	74.5	149.0
Alaska	50.0	266.7
Arizona	251.9	34.6
Arkansas	48.2	79.4
California	1,859.7	261.7
Colorado	24.3	172.0
Connecticut	135.1	103.9
Deleware	867.3	28.1
District of C.		107.1
Florida	439.8	472.5
Georgia	338.4	111.2
Hawaii	148.9	7.5
Idaho	52.3	34.0
Illinois	156.3	306.4
Indiana	81.8	97.7
Iowa	204.6	146.9
Kansas	235.9	58.3
Kentucky	178.6	111.2
Louisiana	138.0	97.0
Maine	83.6	106.4
Maryland	177.0	186.0
Massachucetts	240.5	79.9
Michigan	2,172.2	138.0
Minnesota	632.3	232.2
Mississippi	123.9	118.6
Missouri	64.8	227.0
Montana	22.3	123.0
N. Carolina	246.2	4.4
Nebraska	59.4	86.1
Nevada	143.1	0.0
New Hampshir	29.8	26.2
New Jersey	493.5	92.4
New Mexico	1,272.1	32.3
New York	1,199.3	806.0
North Dakota	32.8	28.3
Ohio	360.9	479.5
Oklahoma	406.7	29.2
Oregon	160.8	102.3
Pennsylvania	287.6	164.6
Puerto Rico/V.	246.8	37.9
Rhode Island	51.4	107.9
S. Carolina	69.8	67.5
South Dakota	42.8	34.6
Tennessee	174.3	106.6
Texas	883.3	179.0
Utah	160.8	37.1
Vermont	102.4	75.1
Virginia	51.0	115.6
Washington	456.0	96.8
West Virginia	100.1	56.5
Wisconsin	486.5	30.7
Wyoming	18.6	45.5
Totals	**$16,338.2**	**$6,698.4**

QUESTION 15:

Ms. Alvarado: You are requesting an additional 32 FTE for fiscal year 1990. Please supply for the record an accounting of where these additional staff will be located and their expected grade level.

ANSWER:

The Agency is requesting 448 FTE, which does not represent an additional 32 FTE for fiscal year 1990. We did indicate in our FY 1990 submission that because of under funding in FY 1989, we projected being able to support a level of only 416 FTE. This is 32 FTE short of our authorized level of 448 FTE. The FY 1990 request includes funding to allow the Agency to reach the authorized 448 FTE and maintain that level throughout FY 1990.

QUESTION 16:

Ms. Alvarado, your budget materials state that if we follow your request to terminate funding for the Section 109 Literacy Corps, you will continue the level of literacy services in the regular VISTA program. Please explain how that would be accomplished if we are cutting the number of Volunteer service years by more than 300?

Won't the level of volunteers working on other areas, like the hungry, the homeless, and drug abuse, be reduced to absorb and maintain the level of literacy volunteers?

ANSWER 16:

	FY 1989 residuals	FY 1990 VSYs projected	FY 1990 Field Entries	FY 1990 VSYs projected	FY 1990 Total VSYs
VISTA	2,606	1,368	2,425	1,078	2,446
Literacy Corps	295	154	0	0	154
					2,600

By the end of FY 89 we estimate that the number of VISTA and Literacy Corps Volunteers combined will be approximately 2900. Assuming even placement of volunteers, normal attrition and re-enrollment rates, these volunteers will generate approximately 1500 volunteer service years in FY 90. This will still allow for more than 2400 new volunteer placements at approximately 75 new projects focusing on all of VISTA's major program emphasis areas.

As to whether the absorption of the Literacy Corps would reduce VISTA's efforts in other emphasis areas, it is our belief that the continued funding of a separate Literacy Corps would have much more of

a negative impact. This is illustrated by the fact that over the last two years the development of new VISTA projects in all emphasis areas increased by 200 volunteer service years whereas the development of new Section 109 literacy projects alone has increased by over 340.

Question 17: New Focus on National Service/Voluntarism

Ms. Alvarado, as you know, the issue of National Service has gotten a great deal of attention in recent months. There are at least a dozen bills before the House and Senate to enact new programs or requirements involving national service. As the Administration's leading spokesperson on voluntarism, what do you think are the better and worse aspects of these proposals?

What are some of the pitfalls we should avoid if we are to develop a new service program?

Should ACTION be the lead agency for any new program?

Answer 17:

As Director of ACTION, I am heartened to witness a proliferation of innovative approaches in expanding and improving the participation of young Americans in community service. As I mentioned earlier, the Administration is in the process of developing the details of the YES proposal, which will constitute the President's approach to this issue. Therefore, we do not have an official Administration position on each and every aspect of the many proposals which have been introduced, but will defer comment until the YES proposal has been presented.

Nevertheless, in responding to your question, I would be pleased to comment on what our experiences at ACTION have shown to be some of the key ingredients of successful community-based volunteer programs within our jurisdiction:

1. Community flexibility is essential to allow the communities to identify priorities and determine the best methods of achieving these goals;

2. Program service should be open and available to all individuals who wish to make a commitment. We must recognize the particular benefits of service opportunities to volunteers who may be disadvantaged, disabled, or from low-income families;

3. Service programs that are targeted to youth should embody meaningful opportunities for engaging parental involvement and support;

4. There exists in this nation a rich history and extensive network of successful volunteer programs. Any new initiatives should be structured in such a way to capture and enhance the strength of these models, rather than duplicate ongoing activities;

5. In examining new approaches to community service, we should resist the creation of new bureaucracies with many layers;

6. Traditionally, public/private partnerships have proven to be more cost-effective and efficient than total reliance on federal support;

7. Volunteer programs should not overlook the importance of effective training and the recognition of the contributions of the volunteers; and finally,

8. The longevity and integrity of volunteer programs can be supported and solidified by broad-based coalitions of business, education, religious organizations, service organizations and government at all levels.

ACTION continues to lend a wealth of expertise and experience to volunteer programs, particularly those with a focus on low-income communities. However, due to budget constraints, ACTION's FY 90 budget does not include provisions for administering any new programs.

Question 18:

Duplication in Student Service and Literacy Programs

Ms. Alvarado, we are currently funding the Student Community Service Program in ACTION and simultaneously funding a Student Community Service program in the Education Department. We are also funding the Literacy Corps program in ACTION, and simultaneously funding a Student Literacy Corps program in the Education Department. Have you or anyone in your agency looked to see if we are duplicating our efforts in these areas?

Only the ACTION agency is asking for continued funding for a Student Service program. For the Literacy Corps programs, you are asking to absorb these activities in the standard VISTA program while the

Education Department is asking for an increase. Has there been any coordination or communication between the agencies on these requests?

Are these programs serving different communities or different aspects of the literacy problem?

Program	1989 Enacted	1990 Request
Student Community Service (ACTION)	$ 1.352 mil.	$ 1.352 mil.
Student Community Service (Dept. of Education)	$ 1.454 mil.	-0-
VISTA Literacy Corps (ACTION)	$ 2.838 mil.	-0- (absorbed)
Student Literacy Corps (Dept. of Education)	$ 4.940 mil.	$ 5.108 mil.

Answer #18:

Duplication in Student Service and Literacy Programs

Section 410 of the Domestic Volunteer Service Act instructs the Director of ACTION to coordinate volunteer programs not only with one another but with other related Federal, state, and local programs. In that regard we are familiar with the two programs created by the Congress and assigned to the Department of Education to administer. Furthermore, we have had informal discussions with Education officials concerning the goals of our literacy activities and student community service projects.

Student Community Service

The guidelines for the student community service grants competition at FIPSE (Fund for the Improvement of Postsecondary Education) reflect some of the most vital elements of the groundwork laid in our own Student Community Service Program. ACTION will continue to exchange ideas with the FIPSE staff on the development of volunteer opportunities for students in secondary and postsecondary institutions.

Despite these fundamental similarities, the programs diverge on the concept of personal gains for the students involved. Under the FIPSE program, the performance of community service is linked to the reduction or dimunition of the student's educational debt whether incurred at the graduate or

undergraduate levels. The students may serve in a myriad of capacities that are not necessarily poverty oriented. In addition, the student may be awarded academic credit for the completion of these volunteer assignments.

By contrast, the ACTION Student Community Service program was designed specifically to encourage students to undertake non-stipended volunteer service in their communities to enhance the educational value of the experience through addressing poverty-related problems. This is not a loan deferment or forgiveness program. However, ACTION funded participating institutions may or may not award academic credit to students engaged in volunteer activities as is the case with the FIPSE counterpart.

Literacy Corps

In the Domestic Volunteer Service Amendments of 1986, Congress established a Literacy Corps within the VISTA program. Its mission is consistent with, yet, supplementary to the overall goals of VISTA; such as mobilizing local resources and recruiting volunteers.

On September 4, 1987, ACTION sent a letter to Senator Kennedy advising him that his initiative, "The Literacy Corps Assistance Act of 1987", could be confused with the VISTA Literacy Corps irrespective of the different eligibility requirements between the two efforts which were cited in our letter. Senator Kennedy responded in a letter dated October 5, 1987, that "in order to distinguish the two, our program will be called the Student Literacy Corps program". Copies of the correspondence are attached for the record.

The law establishing a separate VISTA Literacy Corps has diminished the ability of local communities to determine the most appropriate use of their VISTA resources whether it be literacy, homelessness, drug prevention, etc. Furthermore, it has created administrative burdens which resulted in separate funding, tracking, and calculations of the VISTA Literacy Corps Volunteers, separate and distinct from the administrative oversight of VISTA Volunteers serving in literacy projects not supported by this new appropriation. To correct this situation, ACTION has requested that the Literacy Corps be absorbed into the regular VISTA program.

On a related matter, it should be noted that all VISTA Volunteers, whether they are part of the Literacy Corps or not, are eligible for student loan deferrals and in some cases partial cancellation of their National Direct Student Loans (eee attached fact sheet).

The Department of Education's recent new program as I understand it, promotes the development of literacy programs exclusively at institutions of higher education. Undergraduate students could receive academic credit for courses in which there is a practicum requiring the student to tutor for a minimum of six hours weekly. These programs may appear to be similar, but they do not duplicate service to the same individuals, thereby supplementing the every expanding network of literacy providers. ACTION shares the commitment of the Department of Education in eradicating illiteracy through improving the literacy capabilities of disadvantaged youth and young people.

October 5, 1987

Ms. Donna M. Alvarado
Office of the Director
ACTION
806 Connecticut Avenue, NW
Washington, DC 20525

Dear Ms. Alvarado:

Thank you for your letter expressing your concern over the possible confusion of two separate literacy programs.

In order to distinguish the two, our program will be called the Student Literacy Corps program. I trust this clarification has alleviated your concerns.

Again, thank you for taking the time to write.

Sincerely,

Edward M Kennedy

Edward M. Kennedy

4 SEP 1987

Honorable Edward Kennedy
United States Senate
Washington, D.C. 20510

Dear Senator Kennedy:

I am writing regarding "The Literacy Corps Assistance Act of 1987," which has been adopted by the Senate as part of H.R. 3. As you know, this provision provides for Literacy Corps grants to higher education institutions to encourage college students to volunteer as Literacy tutoring aides in community agencies which have institutional programs in place.

Section 109 of the Domestic Volunteer Service Act Amendments of 1986 established the VISTA Literacy Corps, which also includes all volunteers serving under the regular VISTA program who work on literacy projects and programs. The VISTA Literacy Corps' purpose is to work with both public and nonprofit organizations at the local, state and Federal level to mobilize local, state, Federal, and private sector financial and volunteer resources to address the problem of illiteracy.

We are aware that some confusion has developed regarding the Literacy Corps programs, as included in H.R. 3, and the VISTA Literacy Corps. With two programs operating under essentially the same name in a community, two major concerns have developed. The public may not understand the difference in eligibility requirements between the two efforts. The VISTA program has a statutory mandate to provide opportunities for voluntarism to persons of all ages. The Literacy Corps, as included in H.R. 3, would provide opportunities to students only. I am concerned that the confusion between the two programs will cause potential applicants to the VISTA Literacy Corps to believe they are ineligible because they are not students.

Secondly, it could also be confusing to potential volunteers who may not understand the difference in opportunities each program has to offer. The VISTA Literacy Corps provides an opportunity for full-time volunteer service. VISTA Literacy Corps volunteers are prohibited from doing one-on-one tutoring; they are utilized by literacy projects as literacy volunteer trainers (training other literacy one-on-one tutors) and catalysts and mobilizers of community resources. The Literacy Corps, as included in H.R. 3, provides opportunities for part-time volunteer service and the volunteers are mandated to provide one-on-one tutoring. Misunderstanding already exists among potential project sponsors for the VISTA Literacy Corps about the prohibition on one-on-one tutoring. I feel certain that this confusion will increase if a new program is created with the same name, but with vastly different mechanisms for literacy education.

I urge you to consider a modification in the name of the program that would eliminate the confusion among both volunteers and project sponsors.

Thank you for your consideration of this request.

Sincerely,

Donna

Donna M. Alvarado

October, 1988

VISTA STUDENT LOANS FACT SHEET

The following information on student loan benefits is provided to individuals interested in serving as VISTA Volunteers who have, or expect to receive, student financial aid from other sources.

I. Student Loan Deferments

Deferment of repayment of Guaranteed Student Loans (GSL) and National Direct Student Loans (NDSL) is provided to borrowers under certain conditions which are specified by statute. Loans may be deferred for up to three years during which the borrower is serving as a VISTA Volunteer.

Repayment of other college loans may also be deferred, but solely at the discretion of the lending institution. Further questions about Student Loans should be directed to the Department of Education or the applicable lending institution.

II. Student Loan Cancellation

Under a 1986 amendment to the Higher Education Act, VISTA Volunteers are also eligible for cancellation of a portion of their National Direct Student Loans (NDSL) while engaged in public service activities. The cancellation provisions do not apply to loans made under the Guaranteed Student Loans (GSL) program.

The portion of NDSL which will be cancelled is fifteen percent (15%) for each of the first two complete years of volunteer service and twenty percent (20%) of total Direct Student Loans for each of the third and fourth complete years of volunteer service, plus the entire amount of interest due on the loan attributable to the years of service.

These cancellation provisions apply only to loans made to "new borrowers" to cover the cost of educational enrollment beginning on or after July 1, 1987. A "new borrower" is defined as an individual who, on July 1, 1987, had no outstanding balance of principal or interest owing on any loan made under the Direct Student Loan program.

Further questions about this should be directed to the Department of Education.

III. Financial Aid

ACTION does not provide financial aid for education for current or former VISTA Volunteers.

Question 19:

ACTION Involvement in New Bush Proposal

Ms. Alvarado, since the mission of ACTION is to be the lead federal agency on Voluntarism, can you tell us what input you have had in the development of President Bush's Youth Engaged in Service proposal?

Can you tell us if the initiative will be run out of ACTION?

Are you serving on a task force in development the proposal?

Since the current description of the initiative is so sketchy, what more can you tell us about the details of the proposal?

Answer 19:

In one of his first official acts, President George Bush demonstrated his longstanding commitment to the importance of volunteerism by establishing the Office of National Service in the White House. He has appointed Gregg Petersmeyer as Deputy Assistant to the President for National Service, with responsibility for overseeing Administration policy regarding national service, as well as the development of the Youth Entering Service (YES) proposal.

Mr. Petersmeyer and his staff are meeting with and seeking information from a wide range of public and private organizations involved in community service and promoting youth participation. The Administration will benefit greatly from harnessing this renewed outpouring of ideas, enthusiasm and commitment. As the Federal Domestic Volunteer Agency, ACTION has provided information on the federal volunteer programs within our jurisdiction. We have outlined our many success stories and articulated the ACTION mission statement and goals.

As a result of the President's pledge to foster voluntary citizen service, many interested parties have formed informal working groups and consortia to develop recommendations for the Office of National Service. However, to my knowledge, no formal task force has been established at this time.

Because the YES proposal is not yet finalized, I am unable to comment on details at this time. My understanding is that the preliminary concept calls for a public/private foundation to administer the YES initiative, rather than any specific entity of the federal government.

QUESTION 20:

Your budget submission discusses a new cooperative agreement you have implemented with the Pentagon to have Foster Grandparents serve some at-risk children of military personnel. This sounds like a great opportunity, both for the volunteers and for the children of our servicemen and women. Do you believe that there may be opportunities to expand on this project, perhaps with Pentagon funds?

ANSWER #20:

There are now several FGP projects using military funds to support volunteer components serving special needs children in military bases. Because there are over 60 military bases currently co-located or near existing FGP projects, I do believe there are opportunities for expanding this joint effort. There are two types of military funds that can be used for this purpose:

- Appropriated funds which can be used only in open cases of suspected or substantiated child abuse or neglect.

- Non-appropriated, or unit funds, which can be used to support volunteer services to other special needs children.

Funding for this effort is negotiated between local military installations and co-located FGP projects, with the technical assistance of ACTION staff.

NATIONAL COUNCIL ON DISABILITY

STATEMENT OF SANDRA S. PARRINO, CHAIRPERSON

ACCOMPANIED BY:

PAUL G. HEARNE, EXECUTIVE DIRECTOR

ETHEL D. BRIGGS, DEPUTY EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator HARKIN. Next will be the National Council on Disability. We will now hear from the National Council on Disability and Ms. Sandy Parrino, chairperson of the council.

The National Council on Disability is an independent agency comprised of 15 members appointed by the President and confirmed by the Senate. The Council is an advisory body and its mandate is to examine broad-based Federal policies relating to persons with disabilities and to make recommendations to the Congress and the President on how these policies can be improved.

Ms. Parrino, I want to thank you personally and the Council for your work on the Americans With Disabilities Act. I look forward to working toward passage of the bill this year, and hopefully we will have it ready to go pretty soon.

Also, let me say that I think the Council is doing a very good job. Your staffing and funding is limited by law, and yet you are managing to put out very high quality work.

Ms. Parrino, it has been my pleasure to have worked with you in my other capacity also as chairman of the Handicapped Subcommittee over the last couple of years, to have worked with you with my good friend, the former Senator from Connecticut, Lowell Weicker, and with your Council.

Ms. Parrino, welcome to the subcommittee. Your statement will appear in the record as printed, and if you could summarize it for me, please, I would sure appreciate it. And if you would also introduce the people who are with you.

[The statement follows:]

STATEMENT OF SANDRA S. PARRINO

INTRODUCTION

Mr. Chairman and distinguished members of the Subcommittee, my name is Sandra Swift Parrino. I am the Chairperson of the National Council on Disability. We appreciate the opportunity to appear before you to present our justification for a Fiscal Year 1990 budget request in the amount of $1,157,000.

We have projected that funding at the level of $1,157,000 would enable the Council to continue functioning at its present level of activity and productivity. The Council has a broad mandate from Congress, and we are committed to meeting our responsibilities in a cost-efficient manner.

The FY 1990 appropriation will enable the Council to meet its essential obligations such as; the preparation of annual and special reports, conduct research studies, reinstitute the fellowship program, and hold quarterly meetings and forums on special topics.

BACKGROUND

Since 1985, the Council has appeared before this Subcommittee as an independent Federal agency. As you are well aware, Congress has charged the Council with reviewing all laws, programs and policies of the Federal Government which affect persons with disabilities, and to make such recommendations as it deems necessary, to the President and to the Congress. The Council further reviews the general policies and research priorities of the National Institute on Disability and Rehabilitation Research, and the policies of the the President's Committee on Employment of People with Disabilities.

Although many government agencies fund programs and services for people with disabilities, the Council is the only Federal agency with the

mandated responsibility to address, analyze, and make recommendations on all issues of public policy which affect people with disabilities.

MAJOR ACTIVITIES IN FY 88

I would like to highlight the Council's 1988 Fiscal Year activities; 1. The special report, "On the Threshold of Independence," 2. The development of a comprehensive draft of legislation, titled, the "Americans With Disabilities Act," 3. The prevention of disabilities initiative, and 4. The Study on the Education of Students with Disabilities.

- o Special Report

  In our 1988 report, On The Threshold of Independence, the Council described progress made toward the implementation of the 45 legislative recommendations presented in the Council's earlier report, Toward Independence. Our analysis of new statutes, and administrative activities, indicates that approximately eighty percent of the Council's recommendations have been acted upon. We are encouraged by this finding and intend to continue monitoring government activities related to our recommendations.

- o LEGISLATION

  A most encouraging result of the past year has been the Council's development of a comprehensive bill, the "Americans With Disabilities Act of 1988." The Council, along with the guidance and support of hundreds of consumers with disabilities, advocates, and others, drafted a bill to prohibit discrimination against persons with disabilities. We believe that equality of opportunity is a bedrock right in our society and that discrimination against people because of their disabilities is an unacceptable denial of that right.

- PREVENTION

Another priority emanating from our reports was the need for a Federal initiative to prevent primary and secondary disabilities. Such an initiative could substantially reduce the cost of disabilities and health care for Americans, reduce the Federal spending for disabilities, and decrease the incidence of disability for future generations.

It has become clear to the Council that our nation has the knowledge, technology, and resources to mount an effective and successful national prevention program. The Council has this past year conducted meetings with leading federal and national health leaders and we have noted considerable progress toward the promotion of a national prevention program.

Last year the Centers for Disease Control was allocated by Congress a $3.8 million to initiate a series of state and community-based programs to promote the prevention of disabilities. In addition, the Department of Health and Human Services will be conducting research activities with the University Research Centers.

Further, CDC is contracting with the National Academy of Sciences, Institute of Medicine, to conduct a national study to develop an agenda for the prevention of primary and secondary disabilities.

- EDUCATION STUDY

The Council is currently conducting an examination of a range of significant issues related to the education of students with disabilities. Last year, this Subcommittee appropriated $198,000 to us to begin this effort. As a part of this effort, the Council

will hold hearings here in Washington in May and June to examine such topics as parent and family experiences with the education system, the relationship of special education and regular education and the approaches other nations are taking in educating students with disabilities. The Council will issue a report describing our efforts in September 1989.

- NATIONAL CONFERENCE FOR FAMILIES OF PERSONS WITH DISABILITIES
  This special conference will be held in August of this year to review the support systems and issues concerning families of persons with disabilities. This conference will examine issues of concern to family members such as, insurance, education, advocacy, respite care, living arrangements, special technological devices and services.

- PERSONAL ASSISTANCE. This has been a topic of particular concern to the Council. The Council has received valuable information and data on understanding the number of persons with disabilities who are need of personal assistance services. We have contracted with the World Institute on Disability to draft legislation in this area. We are in the process of reviewing the draft.

- Native Americans With disabilities. The Council is interested the problems of Native Americans with disabilities in this country and the service delivery system. It is reported that this population is not receiving adequate services. The Council plans to study this issue and prepare a report on the unique needs of Native Americans with disabilities.

- FEDERAL AGENCIES

  The Council has a statutory mandate to establish general policies for two federal agencies. We take this role as an important responsibility mandated by Congress.

  The President's Committee on Employment of People with Disabilities and the Council have developed a "Memorandum of Understanding" which defines the role of each agency in carrying out the Council's mandate. This Agreement was signed in May 1988 by both the Chairman of the President's Committee and the Chairperson of the Council.

  Our efforts with the National Institute of Rehabilitation Research is of particular concern to the Council. We have not met with full cooperation in our attempts to work with NIDRR in the development of a long range plan. We can assure you that we will keep trying and exert every effort to gain a plan from NIDRR.

Planned Projects FY 1990

During Fiscal Year 1990, the Council will continue its follow up and monitor activities pursuant to the Congressional mandate to assess progress made on each of the 45 legislative recommendations in its 1986 special report, Toward Independence. In addition, we plan to concentrate on several other significant projects.

- Special Report for 1990 will contain essential information and data on studies being undertaken. This report will cover disability-related research and include recommendations on other critical issues.

- National Commission on Excellence in Education For Students With Disabilities will be established to examine the quality of teaching and learning for students with disabilities and make recommendations for improvement.

- Economic Study of issues promoting the financial benefits of full participation of persons with disabilities in all aspects of American life.

- Study of Technological Devices and Services is a study that Congress has requested the Council to conduct. The Council is prepared to undertake this essential study when funding is available.

- Regional Conferences for Families of Persons with Disabilities will be scheduled in FY 1990. A "how to manual" will be developed specifically to provide assistance to families of persons with disabilities.

- Study of Federal Government Consolidation The Council has promoted improvements in the coordination of federal services. We plan to cooperate with government efforts to study this critical issue.

- Prevention Initiative The prevention of primary and secondary disabilities is an ongoing concern to the Council. We plan to continue cooperating with the Centers for Disease Control and other health agencies in developing state and local prevention programs.

In Fiscal Year 1990, the Council will continue to make every effort within the bounds of limited resources to advance specific studies on

important issues facing all Americans with disabilities. The Council plans to develop an educational manual on the "Americans with Disabilities Act" and to conduct forums on equal opportunity laws in order to increase public awareness and knowledge at the local levels.

CONCLUSION

Mr. Chairman, members and staff of the Subcommittee, as you can see from my statement, we are an energetic Council with the ambition to meet our goals and responsibilities. I feel confident that we can meet the challenges, due to the fact, we have outstanding Council members and staff who provide countless hours to fulfill our mission to improve the quality of life for all Americans with disabilities.

We look forward to a productive and cooperative working relationship with this Subcommittee and other Congressional Committees, this year and in the future.

I will be happy to answer any questions that you may have.

Table 1

Agency	1989 Budget Authority	1989 Actual	1990 Request	1990 Compared to 1989 Actual
National Council on Disability	$1,174,000	$1,160,000	$1,157,000	*$3,000

*Included in the Council's 1989 Budget is $198,000 the Council received to conduct a special study on the education of children with disabilities.

BIOGRAPHY OF SANDRA S. PARRINO

Sandra Swift Parrino, of Briarcliff Manor, New York, was appointed Chairperson of the National Council on Disability (formerly the National Council on the Handicapped) in 1983 by President Reagan. She has been actively involved in issues concerning persons with disabilities for many years. Her 22 year old son, Paul, has been severely physically disabled for most of his life. She is best known as a spokesperson for parents of

disabled children, as a panelist, lecturer, lobbyist, and organization official.

Mrs. Parrino serves on numerous boards and councils. She has been director of the Office for the Disabled in Ossining and Briarcliff Manor, New York; she has served on the board of Westchester County Homes for the Retarded; and she has been a member of the New York State Assembly Task Force on the Disabled, which reviews pending legislation in the State of New York. Through her efforts, many local advances have been made to improve accessibility for disabled people, such as setting up transportation services and installing voting machines for disabled persons, fund-raising to provide interpreter services for deaf people; and supervision of the school district's compliance with Federal regulations. Her major interest since becoming a member of the Council has been promoting independence and equality for people with disabilities.

Mrs. Parrino is also a member of the board of Parent Chain, and has served as an American representative to the United Nations, UNICEF for the International Year of Disabled Persons and as the North American Vice President of Rehabilitation International, a worldwide service, information, and advisory organization.

BIOGRAPHY OF PAUL G. HEARNE

Paul G. Hearne has been Executive Director of the National Council on Disability since August 1988. He came to this position after nine years as Executive Director of Just One Break, Inc., a non-profit organization founded in 1947 which provides competitive job placement services for persons with disabilities.

He holds a Juris Doctor Degree from Hofstra University and practiced law with the Legal Services Corporation from 1974-1979.

In the past decade, he served as an advisor on local, state and federal levels concerning matters on employment of persons with disabilities.

He is the author of numerous articles and has written two books on the legal rights of persons with disabilities. He has received numerous awards nationally on his contributions to the field.

BIOGRAPHY OF ETHEL D. BRIGGS

Ethel D. Briggs serves as the Deputy Executive Director of the National Council on Disability. Ms. Briggs joined the staff of the National Council in 1985 as the Adult Services Specialist.

She was previously employed as Chief of the Office of Staff Development and Training for the District of Columbia Rehabilitation Services Administration. Her prior experience included employment as a rehabilitation counselor supervisor, vocational rehabilitation counselor and part-time instructor at George Washington University.

Ms. Briggs graduated from North Carolina Central University and holds a Master's Degree in Counseling from the University of North Carolina at Chapel Hill.

Ms. Briggs has received numerous awards for her outstanding contributions in the field of rehabilitation. She is the current President of the National Rehabilitation Counseling Association.

INTRODUCTION OF ASSOCIATES

Ms. PARRINO. Good morning. Thank you, Mr. Chairman.

My name is Sandra Parrino. I am chairperson of the National Council on Disability, formerly the National Council on the Handicapped.

With me today, is our Executive Director, Paul Hearne——

Mr. HEARNE. Good morning, Mr. Chairman.

Senator HARKIN. Good morning.

Ms. PARRINO [continuing]. And our Deputy Executive Director, Ethel Briggs.

Ms. BRIGGS. Good morning.

Ms. PARRINO. We are here, this morning to present our justification for fiscal year 1990 budget request in the amount of $1,157,000. We have projected that funding at the level of $1,157,000 would enable the Council to continue functioning at its present level of activity and productivity.

The Council has a very broad mandate from Congress and is committed to meeting its responsibilities in a cost-efficient manner. I would like to ask your permission to summarize the testimony and submit the full testimony for the record.

Senator HARKIN. Please do so.

Ms. PARRINO. Since 1985, the National Council on Disability has appeared before this subcommittee as an independent Federal agency. As you are well aware, Congress has charged the Council with reviewing all laws, programs, and policies of the Federal Government which affect persons with disabilities and to make such recommendations as it deems necessary to the President and to the Congress.

The Council further reviews general policies and research priorities of the National Institute on Disability and Rehabilitation Research and policies of the President's Committee on Employment of People With Disabilities.

I would like to highlight the Council's major activities in 1988 and 1989.

Regarding legislation, as you just mentioned, I guess the most encouraging result of the past year has been the Council's development of a comprehensive antidiscrimination bill called the Americans With Disabilities Act. Council members and staff drafted a bill to prohibit discrimination against persons with disabilities. We would like to thank Senator Harkin for being one of the principal sponsors of that legislation. I would also like to note, that the Council eagerly awaits the introduction of the bill this year, and we are ready to do anything that will assist you in your efforts.

Another priority emanating from our report was the need for a Federal initiative to prevent primary and secondary disabilities. Such an initiative could substantially reduce the cost of disabilities in the health care for Americans, reduce Federal spending, and reduce the human suffering caused by these conditions.

It has become clear to the Council, that our Nation has the knowledge, technology, and resources to mount an effective and successful national prevention program.

Last year, the Centers for Disease Control in Atlanta was allocated $3.8 million by Congress to initiate a series of State and commu-

nity-based programs to promote the prevention of disabilities. In addition, the National Council in cooperation with the Department of Health and Human Services is developing objectives that would address the prevention of disabilities for "The Year 2000, Health Objectives for the Nation."

And the Centers for Disease Control has contracted with the Institute of Medicine, which is in the National Academy of Sciences, to conduct a national study to develop an agenda for the prevention of primary and secondary disabilities.

Moving on to the next topic, the education study, in funding the Council's education study last year, this subcommittee gave the following mandate to our Council.

> Thirteen years have passed since the enactment of Public Law 94-142, and progress has been made in the education of children with disabilities. However, the Council report highlights several concerns about the education of this population. In order to independently address these concerns, the subcommittee has appropriated funds to begin studying priority issues related to the education of children with disabilities.

The Council will hold hearings here in Washington in May and June to examine such topics as least restrictive environment, due process, parent and family experiences with the education system, the relationship of special education and regular education, and the approaches other nations take in educating students with disabilities. We will issue a report describing our efforts in September of this year.

Next, regarding our special reports, in our 1988 report, "On the Threshold of Independence," the Council described the progress made toward the implementation of the 45 legislative recommendations presented in our earlier report, "Toward Independence." I hope you can follow me with these reports.

Senator HARKIN. That's OK.

Ms. PARRINO. Approximately 80 percent of the Council's recommendations have been acted upon.

The next topic is the National Conference for Families of Persons with Disabilities. This is a special conference which will be held in August of this year to review the support systems and issues concerning families of persons with disabilities. This conference will examine issues of concern to family members, such as civil rights, advocacy, insurance, education, respite care, living arrangements, attendant care, special technological devices, and services.

PERSONAL ASSISTANCE

This has been a topic of special concern, and the Council has received valuable information and data on understanding the number of persons who are in need of personal assistance. We have contracted with the World Institute on Disability to draft legislation on personal assistance, and we are in the process of reviewing the draft.

CONSOLIDATION OF FEDERAL PROGRAMS

In our report, "Toward Independence," 1 of the 10 priority areas was called coordination. In order to encourage independence and self-sufficiency of people with disabilities, we feel it is necessary to

develop a joint plan for the systematic coordination of services and benefits to disabled people.

As you can see from the pullout in our report, "Toward Independence," the array of agencies housing programs and services for persons with disabilities is mind-boggling. This is our old report, but I still think it is the best way to show all the different agencies and departments that serve people with disabilities. So, it is pretty hard for a person with a disability to find out exactly what should be coming his/her way or what can help you in your effort to become more independent.

FEDERAL AGENCIES

As you know, the Council has a statutory mandate to establish general policy for two Federal agencies. We take this role as an important responsibility mandated by Congress.

Our efforts with the National Institute of Disability and Rehabilitation Research is of special concern to the Council, NIDRR has not cooperated with our request for a long-range plan. We hope to resolve this matter within the next few months, but any assistance this subcommittee could offer would be welcome.

Regarding our responsibility with the President's Committee on Employment of People With Disabilities, the Council is examining ways in which to be more involved in the development of their work plan. These negotiations are in progress.

Now, I would just like to briefly mention some planned projects for 1990.

During the 1990 fiscal year, the Council will continue to follow up and monitor activities pursuant to our congressional mandate to assess progress made on each of the 45 recommendations in "Toward Independence." In addition, we shall concentrate on the following issues.

SPECIAL REPORT

Our special report for 1990 will contain essential information and data on special studies being undertaken. The report covers disability-related research and provides recommendations on critical issues.

Second, the study on educating students with disabilities. We would like to request that this subcommittee appropriate funds for a full national study on the status of the education of students with disabilities. We must ask the questions, are we preparing students with disabilities for higher education, training, employment, or will they join the ranks of other disabled people where the rate of unemployment is over 60 percent. Will they be independent or dependent? We feel this national study is critical. In order to conduct a study along the lines of "A Nation at Risk," the Council estimates that a $4 million appropriation would be adequate.

THE ECONOMIC STUDY

As you may recall, at the September hearing of the Americans With Disabilities Act, the question was asked by Senator Kennedy, what will this bill cost? It is a very good question. The Council

looked into a way to provide an economic analysis of the bill only to find that the cost would run between $80,000 and $1.5 million. Our budget will not permit us to undertake such a study, but we hope that it will be undertaken by someone.

The study of technological services and devices is a study which Congress has requested the Council to conduct. We are prepared to undertake the study when funding is available.

REGIONAL CONFERENCES FOR FAMILIES

We hope that such conferences will be the outcome of our national family conference this summer. We plan to write a manual explaining how to run such a conference.

Another activity is the prevention initiative. The prevention of secondary and primary disabilities is of continued concern to the Council. We plan to cooperate with the Centers for Disease Control and other Federal agencies in developing state and local prevention programs.

Last, the Americans With Disabilities Act. The Council will continue to promote public knowledge and information concerning the act. We will conduct educational forums at the State level to address the issues of equal opportunities. We have also written an educational manual about the bill and hope to produce a video tape to accompany the manual.

Mr. Chairman, members and the staff of the subcommittee, as you can see from our statement, we are confident that we can meet the challenges that we face due to the fact that we have outstanding Council members and staff who continue to provide countless hours to fulfill our mission to improve the quality of life for all Americans with disabilities.

We look forward to a productive and cooperative working relationship with this subcommittee and other congressional committees this year and in the future. We will be happy to answer any questions that you have.

Senator HARKIN. Thank you very much, Ms. Parrino.

I really don't have a lot of questions since I work so closely with you either here or in my other committee.

I just for the record would want to say that I am very disturbed to hear reports that you are not getting the full cooperation of the National Institute of Disability and Rehabilitation Research. I just want to know the current status of their 5-year plan. And if there is a lack of cooperation, what is it? What form does it take?

Ms. PARRINO. I think the first problem is there is no long-range plan. It is my understanding there is no plan.

Now, Ethel Briggs attended a meeting.

Senator HARKIN. I thought there was supposed to be a 5-year plan.

Ms. PARRINO. Yes; either it can't be found or there isn't one.

Mr. HEARNE. There is no plan in existence to the best of our awareness.

Ms. PARRINO. Now, they did have a meeting. Ethel, would you mention that meeting?

Ms. BRIGGS. There was a plan drafted a few years ago, but the plan was not adopted by the NIDRR. And a few weeks ago, they

did have a planning meeting to plan to organize the long-range plan. So, they are in the planning process. [Laughter.]

Mr. HEARNE. Mr. Chairman, well over 1 year ago, the Council submitted policy guidelines for the beginning of a planning process again and to find out how the 5-year plan has progressed. At that time—and again, the request when I came on board—the 5-year plan has yet to be found by NIDRR. They have indicated that it has been difficult for them to find. However, they are planning to do another one.

Senator HARKIN. Let me just tell you that NIDRR will be testifying before us at a later date I think in April. So, I will have a chance. If anyone here has a direct line to them, let them know that I'm going to be on them on that, so they should come prepared to talk about that.

Well, I think it is extremely important about the issue of cooperation and coordination. We established the National Council on Disabilities to provide the coordination of and to recommend policies relating to the disabled. So, I just want to make sure you are getting that kind of cooperation.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I may have some other questions for the record that I might want you to submit some answers to, Ms. Parrino.

But as I said, I think you are doing an outstanding job. The Council is. I assume that the budget request and what is in here will sufficiently enable you to continue on that level of activity. I sure hope so.

So, thank you very much for being here and thank you for your fine work. Paul, thank you very much for being here.

Ms. PARRINO. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Students with Disabilities

In your reports Toward Independence and On the Threshold of Independence, the Council called for a study of excellence in special education. Last year, this Subcommittee provided $197,000 for the Council to begin to look at a number of priority issues related to the education of students with disabilities.

I agree that we should have a national study to ensure that in the rush for improving the quality of education we do not leave out one segment of the population. I note from your testimony that you will be holding public hearings in May and June and that you will be issuing a report in September. It is my understanding that to undertake a major assessment of education for the disabled, similar to what was done in the report "A Nation At Risk?" would cost about $2 million.

Questions: Is that an accurate figure for the study?

How quickly could you move on implementing a national study should monies become available in FY 1990

Would you undertake this study in-house?

RESPONSE

Two million dollars is the Council's estimate for a two year National Commission on Excellence in Education for Students with Disabilities. The Council envisions appointing a Commission with the Chairperson of the Council serving as the Chairperson of the Commission. Commission members would be drawn from a broad cross section of those concerned about educating students with disabilities including parents of students with

disabilities, special educators, regular educators, teacher trainers, school administrators, students with disabilities, educational researchers, local school board representatives, employers, rehabilitation professionals and providers of related services.

The tasks of the Commission would be to: 1) assess the quality of teaching and learning for students with disabilities in our nation's public and private schools; 2) evaluate the efforts of federal, state and local education agencies in providing an education to students with disabilities under Public Law 94:142; 3) assess efforts to provide education to students with disabilities in the least restrictive environment; 4) examine the education of students with disabilities in the context of school reform initiatives of the last six - seven years; 5) assess the extent to which special education and regular education work together for the benefit of students with disabilities; 6) analyze student outcomes resulting from educational services provided to students with disabilities; 7) evaluate research activities related to educating students with disabilities; 8) examine training of educators who work with students with disabilities; 9) compare American education for students with disabilities with those of other advanced nations; 10) assess the extent to which quality related services and adaptive equipment are available to students with disabilities; 11) examine parent, family and community participation in the education of students with disabilities; 12) identify educational programs which result in notable student success; 13) enumerate obstacles which must be overcome in order to successfully pursue the provision of quality education to all students with disabilities; 14) make recommendations to the President, the Congress and executive agencies regarding how to overcome the obstacles enumerated and changes to pursue in order to improve the nation's education of students with disabilities.

Should monies for the Commission become available in FY 90, the Council is prepared to immediately begin work on the study. The current study being conducted by the Council, The Education of Students With Disabilities: Where Do We Stand? is building a foundation for the more extensive study.

The study would be undertaken by the Commission, which would be appointed by the Council. Thus, the study would be conducted under the direction of the Council with the Council Chairperson chairing the study. Additional staff would be needed.

Conferences

In your testimony, you mentioned the conference for families of persons with disabilities, which is scheduled to be held in August of this year.

I think that this is a very important conference and undoubtedly will establish a dialogue to determine the needs of families that have a disabled family member. How will you be disseminating the information obtained from this conference?

Does the Council plan to sponsor additional conferences or conduct any type of follow-up after the national conference in August.

RESPONSE

The National Council plans to publish the proceedings of this conference which will include recommendations. Copies of these proceedings will be submitted to the President, to the Congress and to the heads of each of the Departments. In addition, copies will be sent to the more than 13,000 individuals and organizations on the Council's mailing list.

During fiscal year 1990, the Council plans to sponsor similar conferences in each of the ten regions after the national conference in August. The

Council is developing a resource manual that will assist regions and states in sponsoring a conference for families of person with disabilities.

President's Committee

The Committee has been very interested in the leadership and guidance role that can be played by the Council with the President's Committee on Employment of People with Disabilities. Have any collaborative projects been developed? Is this joint cooperation continuing?

RESPONSE

The National Council and the President's Committee have collaborated on several programs. During fiscal year 1988, the National Council and the President's Committee had a joint meeting, cosponsored a national conference on the employment need of minorities with disabilities, and a special forum on employment. We anticipate the President's Committee being one of the cosponsors of the national conference for families.

In May 1988, the National Council and the President's Committee signed a "Memorandum of Understanding" which was an agreement outlining each agencies role in terms of the Council's Congressional mandate to provide general policies for the President's Committee. This agreement allowed the Council to have input in the development of the priorities to be included in the work plan for the President's Committee. Unfortunately, the Council has not been able to provide the type of input that it would like to the President's Committee. The Council has appointed a liaison to the President's Committee. We hope that this will enable us to have input at the time the priorities are drafted. In addition, the Executive Directors of both agencies meet on a monthly basis and also are working to improve this situation.

NIDRR Policies

As Chairman of this Subcommittee and as Chairman of the Labor Committee's Subcommittee on the Handicapped, I am very disturbed to hear that you are not getting the full cooperation of the National Institute of Disability and Rehabilitation Research (NIDRR). Tell me what is the current status of NIDRR's 5-year plan, and what form that lack of cooperation is taking?

One of the mandates of your authorizing legislation is to establish general policies for the National Institute of Disability and Rehabilitation Research.

NIDRR will be testifying before the Subcommittee at a later date and this is an issue that I will raise with them.

This whole issue of cooperation and coordination is extremely important. Congress, in its wisdom, established the National Council on Disability to provide coordination of and recommendations on policies relating to the disabled.

RESPONSE

Our knowledge concerning the current status of NIDRR's 5-year plan is very limited. A planning meeting to organize the planning process for a new 5-year plan was held this past January. Our recommended policies were updated and presented to NIDRR in August of 1987. These have yet to be acknowledged despite several direct communications on the subject.

We feel that a major impediment to a closer working relationship between the National Council and NIDRR has been a serious lack of leadership at NIDRR over the past four years. A revolving door in NIDRR's Director's office has prevented a strategic planning process from occurring. The

tragic death of Dick LeClair and serious illnesses of key staffers certainly added to this confusion.

The National Council's Congressional mandate to provide policies dates back to the inception of the Council. I have been on the Council since 1982, the Council has developed working relationships with all the past directors and has regularly invited testimony at our quarterly meetings. Numerous meetings have been held by Council members and staff with NIDRR staff to review and discuss particular program areas and future plans. The Council has been and remains fully prepared to entertain a working dialogue with NIDRR in order to fulfill its mandate.

The Council strongly believes that NIDRR needs fresh leadership that will be afforded the opportunity to administer NIDRR independently. Secondly, the Council would like to suggest that Congress give consideration to relocating NIDRR to a more appropriate Department, such as the Department of Health and Human Services. The Council believes that such a move would encourage a closer working relationship with similar health and research programs. It could also provide a new direction for the Institute and a revitalization of its programs. The citizens with disabilities which NIDRR serves can only be helped by such action.

Rehabilitation Services Administration

Rehabilitation has received considerable attention over the past several months. As a matter of fact, the General Accounting Office is currently auditing the activities of the Office of Special Education and Rehabilitative Services (OSERS). I understand that the Council has made recommendations to OSERS for the development of its 5-year plan yet I hear that there is no 5-year plan. What has happened?

RESPONSE

Over the years, the National Council on Disability has submitted recommendations to the Office of Special Education and Rehabilitative Services. The Council is not aware of the current status of OSERS' 5-year plan. Subsequent to the transition period, the Council will endeavor to ascertain the implementations of the five-year plan and work in conjunction with OSERS to assure its continuity in future plans.

CDC Prevention Program

In FY 1988, the Congress appropriated $3.83 million to the Centers for Disease Control to establish a program for the prevention of disabilities. This was a priority of the Council. What has been accomplished to date?

Under the Council's prevention initiative with the Centers for Disease Control, how many applications can be anticipated in FY 1990?

In the event, CDC receives applications from 40 states, how much additional funding would be needed fro 40 projects plus 20 demonstration and epidemiology projects?

RESPONSE

The National Council is pleased with the accomplishments of the Centers for Disease Control (CDC) on the prevention initiative. Within this program, CDC is conducting three major types of activities: 1) cooperative agreements to build capacity at the state and community level to coordinate activities for the prevention of disabilities, conduct surveillance, and carry-out prevention and evaluation activities; 2) analysis of epidemiologic data to determine gaps in the prevention efforts, establish priorities, and assess disabilities prevention

interventions; and 3) development of a national agenda to prevent disabilities.

In September 1988, CDC awarded cooperative agreements to support nine State-based Projects. Each of the nine States has established an Office of Disability Prevention to coordinate focus for disability prevention in the state and to provide technical assistance in public health approaches to disability prevention activities. In addition, CDC awarded four Demonstration/Epidemiology Projects to three universities and one State spinal cord commission. These projects will focus on the prevention of secondary disabilities and evaluate the effectiveness and costs of prevention intervention. A contract was awarded to the Institute of Medicine, National Academy of Science to conduct a study on the prevention of disabilities.

According to the Centers for Disease Control, the FY 1988 Program Announcement was published in the Federal Register on July 14, 1988. The applicants had only 45 days to develop plans and submit proposals. Twenty-six states submitted applications. Based upon this response, the CDC expects approximately 40 states would submit applications for the State-based projects. In addition, 20 to 30 applications are anticipated for the Demonstration/Epidemiology projects from institutions.

A State-based project that is fully funded (including 2 - 3 community intervention projects) will cost $400,000 - $500,000 each. This would require $16 to $20 million for 40 State-based projects. Five million would be required to fund 20 Demonstration/Epidemiology projects at an average cost of $250,000 each. CDC estimates that an additional $3 million would be needed for direct operations. Thus the total amount required is $24 to $28 million.

Coordination of Services

The Council also has a role in making recommendations on solving the unacceptably high unemployment rate of people with disabilities. What has the Council been doing to bring about a coordination of efforts between federal, state, and local services in an effort to obtain training, support services, and employment for the disabled?

RESPONSE

The Council has always been committed to the coordination of services at the Federal, state and local levels. In fact, in our special report, Toward Independence, the coordination of services and programs for persons with disabilities was addressed as on of the ten priority areas.

The Council believes that coordination is especially crucial in the area of employment. As the Subcommittee may be aware, studies have been done in the past by Louis Harris and Associates, Inc. which have pointed to the underemployment and job discrimination experienced by persons with disabilities. In order to address this matter at all levels of government, the Council is forming an "Employment Advisory Committee:" which will address the complex employment issues facing our nation's disabled workforce. This advisory committee will be comprised primarily of employers (large and small businesses) who have successfully accommodated individuals with disabilities within their companies. The Council hopes to gain the expertise and knowledge from this group that can be shared with the rehabilitation community as well as other employers.

Progress with Reports

In the Council's reports -- TOWARD INDEPENDENCE and ON THE THRESHOLD OF INDEPENDENCE, the Council addresses the need for a national policy on personal care assistance. What progress has been made in this area?

RESPONSE

As the Subcommittee knows, the issue of personal assistance is a complex problem which does not pose simple solutions. For many severely disabled persons, personal assistance services can mean the difference between an active, productive life, or a life of total dependency. In fact, several members of the National Council rely on personal assistance services which enable them to meet their daily needs, to live full productive lives, and even carry out their responsibilities as Council members.

Although this is an issue which has profound impact upon the lives of persons with physical and mental disabilities, it has received surprisingly little attention over the past several years. In order to fill this void, the Council contracted with the World Institute on Disability (WID) to develop a piece of draft legislation on personal assistance.

At our meeting in February, the staff of WID disseminated a revised version of the "Draft Bill" which would ensure that personal assistance services are rendered to persons with disabilities. In the coming months, the Council will examine this proposed legislation carefully and determine if it is feasible to submit this legislation to the appropriate Congressional Committees to promote discussion on this matter. The Council believes that without the needed personal assistance services, the rights envisioned in the "Americans with Disabilities Act" will remain meaningless promises to persons with severe disabilities. Thus, the Council is committed to working with the appropriate members of Congress to ensure that personal assistance services are provided to individuals with disabilities.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF ROBERT P. BAKER, ACTING DIRECTOR

ACCOMPANIED BY:

MARY P. DURKIN, BUDGET DIRECTOR

GAYLE WINERITER, ACTING EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator HARKIN. Next is the Federal Mediation and Conciliation Service.

I am going to turn the hearing over to Mr. Hall, the staff director for the subcommittee, for several minutes while I attend to another matter. Then I will be right back in. I'll go ahead and let him introduce the witness.

Mr. HALL [presiding]. I think if you would proceed with your statement, summarize it please for the committee in 5 minutes.

Mr. BAKER. I am Robert Baker. I am regional director of the eastern region of the Federal Mediation and Conciliation Service, and I am currently serving as the Acting Director of the agency.

I have with me Mr. Gayle Wineriter who is Acting Executive Director, and Ms. Mary Durkin, Budget Director of the agency.

As you suggest, we will submit our opening statement for the record, and I will make the following brief comments.

FMCS continues to operate four major programs: dispute mediation, preventive mediation, arbitration services, and labor-management cooperation programs. In these four programs, we are experiencing a continued change of emphasis from confrontational labor relations and an increased interest in methods that enhance cooperative approaches between management and workers' organizations.

These changes in basic approach impact favorably, we believe, on productivity and worker morale and are decidedly in the national interest. To help facilitate such changes, we are involved in long-range planning to focus the delivery of our services, and we are using our available resources to increase training and expand the skill level of our professional staff.

PREPARED STATEMENT

For fiscal year 1990, we are requesting an appropriation of $25,190,000 and a staffing level of 322 full-time equivalents.

I would be very pleased to respond to any questions at this time.

[The statement follows:]

STATEMENT OF ROBERT P. BAKER

Mr. Chairman and Members of the Subcommittee: It is my pleasure to appear before this Subcommittee to discuss the Federal Mediation and Conciliation Service's appropriation request for fiscal year 1990. The budget now before you is the

one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The Service's programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. My staff helped to develop them, has reviewed them with me, and I hope many of them will wind up in the eventual compromise budget resolution.

FEDERAL MEDIATION AND CONCILIATION SERVICE'S MISSION

The Federal Mediation and Conciliation Service was established in 1947 as an independent agency to provide assistance in the settlement and prevention of labor-management disputes in all sectors of the economy, except the railroad and airline industries.

Our mission statement calls for the development of sound and stable labor-management relationships, the advocation of collective bargaining, mediation and voluntary arbitration as the preferred process for settling issues between employers and representatives of employees, and the encouragement of constructive joint relationships of labor and management leaders to increase mutual understanding and ability to resolve common problems.

The Service has been accomplishing its mission through the dispute mediation, preventive mediation, arbitration and labor-management cooperation programs.

DISPUTE MEDIATION

In fiscal year 1990 FMCS staff will be involved in the mediation of major contracts expiring in the construction, utilities, steel, automotive, apparel and textile, entertainment, aerospace, retail food, hotel, health care, shipping and maritime industries. Strikes in these industries and other smaller, but no less essential ones, could have a damaging effect on the economy.

Current activity in the collective bargaining arena indicates a continuation of trends seen over the past several years with emphasis on job security and related issues at the bargaining table. Contracting out, work rule changes, retraining and job guarantees will be major concerns of unions, especially in basic industries which have suffered the greatest cutbacks in the past few years. Health care cost containment and retirement programs will be important issues in negotiations, along with basic wage demands of workers. Concessionary bargaining will probably decline and labor unions will attempt to recover contract concessions made during recent years. Attempts at pattern bargaining will meet with some resistance and will result in more local issue bargaining.

PREVENTIVE MEDIATION

The objectives of preventive mediation are to create relationships that will be conducive to the peaceful settlement of bargaining issues at the time of contract expiration, to provide the means for effective administration of contracts during the life of agreements, and to assist in developing a structure for dealing with those matters which impact on labor-management relationships.

In recent years stress placed on the collective bargaining system by both external and internal forces has caused an increased demand for preventive mediation. Examples of external forces are national and international competitive pressures for market share. Internal forces include changing technology, productivity issues, changes of leadership, and the changing nature of the work force. The Service's preventive mediation programs have addressed the stress felt by the parties through labor-management committees, joint training, Relations by Objectives, and two programs undertaken with the Department of Labor—"Partners in Change" and "Introduction to Labor-Management Initiatives."

With the need to compete in both foreign and domestic markets, U.S. companies and unions are reexamining their traditional roles. Altering basic work relationships and increasing flexibility are business imperatives. Labor and management leaders realize they must use voluntary alliances to increase productivity and im-

prove quality. Together they are striving to move beyond traditional antagonistic labor relations and toward a more cooperative work environment. FMCS preventive mediation activities directly assist the parties in their efforts to increase productivity and improve employee morale.

ARBITRATION

Since its inception, FMCS has provided lists of experienced, qualified arbitrators from which labor and management representatives select a person to hear and decide disputes. Arbitration is used to resolve disputes arising out of the interpretation of collective bargaining agreements. To a lesser extent, arbitration is used as a substitute for strikes and as a method of resolving impasses in contract negotiations, particularly in the public sector.

LABOR-MANAGEMENT COOPERATION PROGRAM

The Labor-Management Cooperation Act of 1978 authorizes the Service to carry out a program of contracts and grants to support the establishment and operation of plant, area, and industry labor-management committees. In fiscal year 1989 FMCS will award 14 to 16 grants. However, the budget now before you does not request funds for this program in fiscal year 1990.

FMCS RESPONSE TO CHANGES IN LABOR-MANAGEMENT RELATIONS

The Service's programs are designed to assist in the move toward labor-management cooperation. Through dispute mediation, FMCS mediators are helpful in averting or reducing the duration of many work stoppages. Through preventive mediation, mediators strive to improve long-term labor management relationships and through arbitration services, our staff assists with improved contract administration.

FMCS intends to continue with these efforts—to improve our delivery of services. To meet the demands of 1990 and beyond, we must hire and retain the most qualified work force possible. We must plan for our future and follow our own teachings—to remain flexible and well trained. We intend to do this, but we will need your continued support. The budget now before you requests an appropriation level of $25,190,000 and 322 full-time equivalents, and the budget justification submitted to you in January substantiates these requests.

Mr. Chairman, I will be glad to respond to any of your questions.

	Fiscal year 1989	Fiscal year 1990	Increase or decrease
Budget authority	$25,813,000	$25,190,000	—$623,000
Outlays	$25,098,000	$24,689,000	—$409,000
FTE	338	322	—16

Biography of Robert P. Baker

Robert P. Baker is the Acting Director of the Federal Mediation and Conciliation Service (FMCS). He assumed the duties of this position in January 1989. Mr. Baker also serves as the Service's Regional Director for the Eastern Region based in Atlanta, Georgia. In his role as Acting Director, he has responsibility for all mediation, arbitration, and administrative programs of the Agency.

Mr. Baker has served in various positions within the Service for the last 27 years. He has held the position of Regional Director since 1984. Prior to that Mr. Baker was District Director and Acting Regional Director in San Francisco from 1976 to 1984. While in these positions, he was responsible for the mediation services on the West Coast and he supervised the region-wide preventive mediation and public information programs.

Prior to assuming these managerial duties, Mr. Baker was a mediator in Atlanta, Georgia, where he handled a full range of labor-management disputes.

Mr. Baker held the positions of Business Manager and Assistant Business Manager for the Lake Charles (Louisiana) Metal Trades Council and Local 407 of the International Union of Operating Engineers before coming to FMCS. His duties included negotiation and administration of collective-bargaining agreements covering ap-

proximately 5,000 employees. He served as an oil refinery operator before assuming the union duties.

From 1944 to 1946, Mr. Baker served in the U.S. Army.

BIOGRAPHY OF GAYLE WINERITER

Gayle Wineriter is the Acting Executive Director of the Federal Mediation and Conciliation Service (FMCS). He assumed the duties of this position in January 1989 and he has responsibility for the day-to-day administrative operations of the Service.

Mr. Wineriter has served in various positions within the Service for the last 25 years. He served from 1985 to 1988 as Special Assistant to the Director with responsibility for coordinating mediation services of the Agency.

From 1977 to 1985, Mr. Wineriter was the Service's mediator in Hawaii. During his assignment there, he worked closely with the labor-management community in disputes in the private, public and Federal sectors. His responsibilities extended beyond the Hawaiian Islands to include negotiations in the U.S. territories in the Pacific Basin.

During the period 1973–77 he served as an FMCS National Representative based in Washington, D.C. In that position, he coordinated mediation efforts in a number of labor-management disputes which were critical either because of their impact on the national economy or because there was a need for a national level involvement.

Prior to his National Representative assignment, Mr. Wineriter served as a mediator in St. Louis, Missouri, and Houston, Texas, where he handled a full range of labor management disputes.

Mr. Wineriter came to the Service with a background in the electrical industry and the public sector. Just prior to coming to FMCS, he was Director of Organizing for the American Federation of State, County and Municipal Employees.

BIOGRAPHY OF MARY PATRICIA DURKIN

Mary Durkin is the Budget Officer for the Federal Mediation and Conciliation Service (FMCS). She has held this position since August 1983. In addition, Ms. Durkin is the Federal Women's Program Coordinator for the Service.

From 1975 to 1983, Ms. Durkin served as a Budget Analyst with varying degrees of responsibility in the Service's Budget and Financial Management Division. She began her career with FMCS in an administrative capacity in 1973 and was involved in the mediator recruitment and selection process.

From 1969 to 1973, Ms. Durkin held various administrative positions with the Labor-Management Services Administration of the U.S. Department of Labor.

Ms. Durkin, a native of Washington, D.C., attended Academy of Holy Names and Montgomery College. She currently holds the position of Secretary-Treasurer of the Federal Managers Association's Washington Chapter. Ms. Durkin has served as an officer of the Society of Federal Labor Relations Professionals, and as President of the Board of Regents of the Academy of Holy Names.

LABOR MANAGEMENT COOPERATION PROGRAM

Mr. HALL. Thank you.

The Service has operated since fiscal year 1981 the Labor-Management Cooperation Program which has provided grants to establish or support joint labor-management committees in the plant, industry, and public sector categories. Last year your agency testified that these committees are effective in preventing labor disputes and that Federal grant moneys were the major impetus for this program.

Have you changed your mind on the effectiveness of these programs?

Mr. BAKER. No, sir; we have not.

Mr. HALL. We notice that funding has been proposed for elimination in fiscal year 1990.

Mr. BAKER. This has been the administration's position which the agency has presented to the committee for several years, Mr. Hall. The previous administration felt this funding should best come from the private sector. We are proceeding presently under

that guidance. My personal belief is that without the seed money provided by Congress, this program would not be nearly as effective as it has been.

Mr. HALL. Have you done any followup on the programs you have funded to determine if these programs are continuing once Federal support has ended?

Mr. BAKER. Yes, sir; we have studied that. We estimate that 75 percent of these committees maintain themselves after the initial funding, at least for several years.

LOCAL AREA HIRING OF MEDIATORS

Mr. HALL. On a new subject area, because of the budgetary constraints and difficulty in hiring mediators, the Service started a new process to hire mediators from the local areas in which they will work rather than from a national selection process. Would you comment for the record please on how this has worked up to date?

Mr. BAKER. It has worked quite well, sir. We have hired in excess of 20 people under this system, approximately 10 percent of our field work force. We have gotten good people, and we have minimized our transfer costs as a result.

Mr. HALL. Do you have an estimate of how much you have been able to minimize in terms of your transfer costs?

Mr. BAKER. It is very difficult to say. We are now to the point where we look for either zero, one, perhaps two transfers through the whole organization in a year's time. Last year there were no transfer costs. This year there probably will be one, perhaps two. I guess if you had to look way back into history, you might be speaking about five or six paid transfers per year.

Ms. DURKIN. In previous years there were more than five or six paid transfers.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. HALL. We will have further questions for the record.

I appreciate very much your testimony this morning.

Mr. BAKER. Thank you very much, sir.

Mr. HALL. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the Service for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LABOR MANAGEMENT GRANTS PROGRAM

Question. In fiscal year 1989, we provided $1 million for the Labor Management Cooperation Program and I note, from your testimony, that you will award 14 to 16 grants. How many applications have you received for fiscal year 1989?

Answer. Our application deadline is not until May 6, 1989. Based upon past experience, we anticipate 60 to 70 applications.

Question. It is my understanding that some of those who have received these grants feel that the one-time grant does not allow enough time for the program to become self-sufficient. Have you done any follow-up on the programs you have funded to determine if these programs are continuing once Federal support has ended? Do you think it would be a good idea to fund continuation grants?

Answer. About 75 percent of the committees we have supported continue to exist after our one-time funding ends. Undoubtedly, it would be easier for new committees to secure local funding if they had more time to prove themselves. We continue to assess the possibility of distributing available funds over a longer period of time.

PERSONNEL

Question. Because of budgetary constraints and difficulty in hiring mediators, the Service started a new procedure to hire mediators from the local area in which they will work, rather than from a national selection process. I would like to commend you for this action. How many new mediators have you hired?

Answer. In fiscal year 1987, 15 mediators were hired. In fiscal year 1988 only one mediator was hired. However, in fiscal year 1989 we expect to hire 15 to 17 mediators.

JOINT PROJECTS WITH THE LABOR DEPARTMENT

Question. The Service has been participating in two projects with the Department of Labor, Partners-In-Change and Orientation to Labor-Management Initiatives. Last year, you indicated that you were making a concerted effort to follow-up and track these projects to determine if these programs were successful in achieving their objectives. Have you determined whether or not these programs are fulfilling their objectives?

Answer. Although we have not done a rigorous evaluation of these programs, we definitely feel they are fulfilling their objectives. Both the Federal Mediation and Conciliation Service and the Department of Labor carefully assess the relationship between the parties before offering either program. Among the needed requirements is a firm commitment from top leadership and a genuine intent to follow-up. We consider the programs conducted to date as successful because labor and management continue to practice joint problem-solving techniques and to develop and expand innovative approaches to their working relationship.

STATE AND LOCAL MEDIATION SERVICES

Question. FMCS indicated that in fiscal year 1987 it handled 919 State and local disputes in 30 States. That number was expected to increase by 4 percent in the next 2 years—960 disputes in fiscal year 1988 and 1,000 disputes in fiscal year 1989. Have those projections materialized?

Answer. In fiscal year 1988 FMCS handled 930 State and local disputes, an increase of approximately 1 percent. While this figure is not as high as anticipated, we still expect to handle approximately 1,000 State and local cases in fiscal year 1989.

NATIONAL MEDIATION BOARD

STATEMENT OF WALTER C. WALLACE, CHAIRMAN

ACCOMPANIED BY:

JOSHUA M. JAVITS, BOARD MEMBER

CHARLES BARNES, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Mr. HALL. Next we will hear from the National Mediation Board. The National Mediation Board is charged with mediating collective bargaining and representation matters of employees of the railroad and airline industries to prevent the interruption of interstate commerce.

I understand Mr. Wallace, chairman of the Board, is with us today. I would like to welcome you and Mr. Javits. If you will proceed, when you are settled, with your oral remarks, we will include your full statement for the record.

Mr. WALLACE. Thank you, Mr. Chairman. We are pleased to be here this morning. May I introduce my colleagues who are up here at the table with me. On my left is the Honorable Joshua Javits who is the other member of the Board. On my right is Charles Barnes who is the Executive Director of the Board.

We will, Mr. Chairman, submit for the record a more complete opening statement, but I will make a very brief summary of it.

Mr. Chairman, members of the subcommittee, to summarize the submitted statement, the National Mediation Board is requesting an appropriation of $6,384,000 for fiscal year 1990, $88,000 less than is available for fiscal year 1989.

The primary functions of the Board under the Railway Labor Act include: one, mediation in connection with collective bargaining and representation matters concerning employees in the railroad and airline industries. For this we are requesting $3,615,000.

Two, a second function of the Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. We are asking $577,000 for this item.

Three, another function is the adjustment of employee grievances in the railroad industry. For this we are requesting that $2,192,000 be appropriated for fiscal year 1990.

PREPARED STATEMENT

This completes a brief summary of my statement. If you have any questions, we will be happy to answer them, sir.

[The statement follows:]

STATEMENT OF WALTER C. WALLACE

Mr. Chairman, members of the subcommittee. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for fiscal year 1990.

Our budget request now before you is the one submitted by former President Reagan on January 9, 1989. However, as you know, President Bush announced his budget plan on February 9, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth. The budget plan includes a freeze at the 1989 levels of mainly discretionary domestic programs. The Bush Administration is beginning negotiations with Congress on the budget plans as a whole, including this freeze category of discretionary programs, which includes the National Mediation Board.

Pending the outcome of negotiations with Congress, the Board is treating the Reagan budget proposals as if they were President Bush's proposals. We hope our proposal will be part of the compromise budget resolution.

The total amount requested for fiscal year 1990 to administer the Railway Labor Act is for $6,384,000, and a personnel complement of 58 positions.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries as well as questions of employee representation and to interpret agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456,which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least 1 year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

MEDIATORY SERVICES

For mediatory services for fiscal year 1990 we are requesting $3,615,000, an increase of $60,000 over fiscal year 1989. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures. The Board foresees an increase in this activity largely due to the airline post-deregulation, to unprecedented merger movement and to possible splintering of railroad carriers from the next round of national bargaining.

VOLUNTARY ARBITRATION AND EMERGENCY DISPUTES

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards. A public hearing is held by the National Mediation Board after the first Emergency Board's report is

issued and each party must appear and state the reasons why it has not accepted the Board's recommendations for settlement.

The Mediation Board is requesting $577,000 for these activities, the same amount as is available in fiscal year 1988. As in the past we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will be lapsed at the end of the year.

ADJUSTMENT OF RAILROAD GRIEVANCES

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility for fiscal management of the Adjustment Board were placed with the National Mediation Board. As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act. For the past 50 years the railroad industry has been the only private industry for which the Federal Government has financed the adjustment of employee grievances.

Over the years the grievance system had become overburdened with a large number of undecided cases. Further aggravating this situation, was a substantial number of cases heard, but undecided, by neutrals and a perceived increase in the time required to issue awards.

Recognizing the need to reevaluate the railroad grievance system, rail labor and management established a bipartisan committee to review the entire grievance handling process. Recommendations for improving the grievance handling system were jointly agreed to by the participants and a copy of their report was submitted to you in February 1988. An industry-wide conference was held in Washington in March 1988 to advise rail labor and management on the Committee's achievements and suggestions for the future.

We are encouraged that substantive changes in procedures have been implemented as a result of this committee's work and we are optimistic that its comprehensive recommendations will be given serious consideration by both labor and management. We believe that substantial progress has been made during the past 2 years and anticipate that these efforts will begin to bear fruit during fiscal year 1989 and 1990.

These efforts include adoption of uniform rules for the four divisions of the National Railroad Adjustment Board for the first time in 53 years; the restriction of neutrals with a large backlog from hearing other cases; and the allocation of work days based on each neutral's productivity and caseload. Also, the parties are being urged to settle disputes prior to resorting to arbitration, use precedent for resolving similar disputes, and reduce claims to issues.

Since a source of concern is the possible enormous number of cases pending in the system, the Board is requesting the parties to jointly examine and come to an agreement on the current caseloads for each open public law board and special board of adjustment by numbering the cases and identifying the issues involved. The issues designated by the parties for each case would be used for case index. This uniform number system will allow the Board to track cases. A generic subject index of disputes and decisions will be used by the parties to be dispositive of similar claims before they are brought to final and binding arbitration. This approach will produce two main benefits: first, it will save costs for the parties to the dispute as well as for the Government; and second, it will bring claims that must be arbitrated to speedier resolution. It is expected that the parties will cooperate in this initiative. The cooperation of the parties is imperative for the Railway Labor Act does not give the Board control over the number of cases submitted or resolved. Therefore, anticipating uninterrupted work for the entire fiscal year, the Board requests $2,192,000 for the adjustment of railroad grievances.

This completes my statement. If you have any questions, we will be happy to answer them.

EASTERN AIRLINES SITUATION

Mr. HALL. Yes; thank you very much.

Yesterday Secretary Dole appeared before the committee and the chairman and the other members talked with her at some length about the Eastern situation. And I am wondering what your view

is as to the possibility of secondary strikes and whether you are following that from the Board's perspective.

Mr. WALLACE. Mr. Chairman, of course, we are following that one. We are very much involved in that one, as you can appreciate. We are the mediators in the dispute. I'm a little hesitant to get very deeply into it because we have a continuing responsibility, as you can appreciate, and our neutrality and our ability to function as mediators remain for the future.

I can only tell you this much as far as the concept of secondary picketing is that the International Association of Machinists formally in January announced that they had every intention to exercise their rights of self-help, and they explained it to be the right to strike in the airline industry and engage in picketing in the airline industry and the railroad industry, which would be secondary picketing. At this point I have no information that they have taken that step.

Mr. HALL. Thank you.

On page 22 of your justification it states that the Board faces an unusually high number of contract negotiations in 1989 involving major airlines. Could you elaborate on that for the record please?

Mr. WALLACE. Page 22 is that?

Mr. HALL. Page 22 of your justification.

Mr. WALLACE. You are talking about the last paragraph, Mr. Chairman?

Mr. HALL. Yes; for example, do you have any projections of the number of increases in your caseload as a result of those airline contract negotiations?

Mr. WALLACE. Yes; we do. Well, we don't have any projections in actual numbers. We follow what is our timetable, the termination of the amendable dates of the various airline contracts. And we are referring to an unusually high number of important contract negotiations this year.

For instance, we are now in mediation with the Northwest Airlines pilots. It presents a particularly difficult dispute because, as you will recall, Northwest merged with Republic, and some of the issues involved in terms of the pilots operating and have been operating for the last 2 years under separate contracts, the Republic contract and the Northwest contract. And it is an extremely difficult issue to get them to merge it. We have assigned a mediator and that mediator is progressing right now with the dispute.

In addition, we have in mediation now—the question was, of course, what in our airline disputes we have or looking forward to. We have an unusual workload of cases coming up this year. We have some pilot cases particularly. I believe it is Northwest Airlines I was just describing.

United Airlines presents some very interesting, unique problems, and that will now be in mediation. We also have mediation that we'll be involved in with US Air and Delta and American Airlines. And you see all those majors coming up for renegotiation of their pilots agreements. We anticipate that is going to be quite a workload.

In addition, we do have contracts with the machinists and the—rather, the mechanics and flight attendants. This year is heavier than most years.

Mr. HALL. Going on to the next area then, your justification also indicates that the rail industry faces industrywide national bargaining in 1989. I understand that you have expressed concern over the possibility that some of the national carriers, as well as the rail unions, will seek to bargain independently, increasing your workload.

Do you have a better sense of the direction now that we are in 1989 as to how these negotiations will impact on your workload?

Mr. WALLACE. Yes; we do, Mr. Chairman. There have been many reports since the last go-round, as it was winding down, that there would be split-offs from some of the major systems and not bargain as a national unit as they had been doing under the National Railway Labor Conference for many years. In fact, as you probably have witnessed, the CSX for one, as a major system in the East, was negotiating with some of the major operating crafts looking toward separate agreements. Those negotiations were not successful.

Another example, there have been some indications of the Burlington Northern not joining in with the conference.

But I would say that the most recent indicators are that I feel confident that as the new go-round begins, which would be probably toward late spring and early summer, that I think there will be once again a full complement. One or more systems may stay out, but I think we will look for bargaining as we have in the past on a national basis.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. HALL. We have some more questions that we will submit to you for the record.

We thank you very much for your appearance here today.

Mr. WALLACE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EASTERN AIRLINES

Question: The National Mediation Board worked for over a year with the International Association of Machinists and Eastern Airlines trying to mediate this labor dispute. When attempts failed, you declared an impasse and recommended to the President that an emergency board be established, which would have allowed for a sixty-day cooling off period. Would you outline the reasons for recommending an emergency board?

Answer: In the judgment of the National Mediation Board, specific circumstances surrounding this dispute threatened substantially to interrupt interstate commerce to a degree such as to deprive a section of the country of essential transportation services. Accordingly, consistent with the statutory scheme, the President was promptly so notified. Any further disclosures concerning a potential emergency board would be in conflict with the traditionally privileged nature of the Board's recommendations to the President.

Question: Do you feel that your reasons for recommending an emergency board still hold true?

Answer: The National Mediation Board has not made any update or further analysis of the circumstances giving rise to its report to the President and discussed in the preceding question.

Question: In view of the fact that the Board was unable to mediate an agreement between the labor and management at Eastern, and in view of the increasing bad feelings between the two parties, do you feel that an emergency board can mediate a settlement. In short, do you feel that your reasons for recommending an emergency board still hold true?

Answer: As in the previous answer, the National Mediation Board has made no update or further analysis of the existing circumstances surrounding this dispute. In addition as we discussed in response to a previous question, the National Mediation Board's role necessarily is a private one while an emergency board issues a publicly disseminated report.

Question: Are discussions continuing with the Administration on convening an emergency board?

Answer: The Railway Labor Act does not provide for discussion concerning the convening of an Emergency Board. Once the National Mediation Board has submitted its statutory recommendations to the President, the Board does not engage in an advocacy role with respect to the exercise of Presidential

discretion. Whether or not other parties may be expressing their views on this matter within the Administration is not within the National Mediation Board's knowledge.

Question: Have you had any discussions with the Secretary of Labor on the impact of this strike on the economy and the need to convene an emergency board?

Answer: The Secretary of Labor has been briefed and otherwise informed concerning the potential impact of the Eastern strike. However, consistent with our response to a previous question, the traditionally privileged nature of the National Mediation Board's communications concerning emergency boards precludes a more detailed response.

Question: A recent article in the Washington Post quoted Secretary of Transportation Skinner, as saying "it is the Administration's position not to get in the middle of this private labor dispute." I am afraid that I do not understand his reasoning, especially inasmuch as we have laws on the books to deal with situations such as has developed with Eastern Airlines. And frankly, while the Congress may take action on legislation dealing with secondary strikes, certainly, I do no see the Congress taking action on such legislation in time to have any impact on the Eastern Airlines situation. You have been involved in this situation with Eastern for some time now, how do you feel about the position that the government should not intervene?

Answer: Section 160 of the Railway Labor Act permits, but does not require, the convening of an emergency board where the National Mediation Board has so recommended. It would be inconsistent with the National Mediation Board's Executive Branch role, as well as our mediation role, to address matters beyond the Board's specific statutory mandates.

Question: With hostile takeovers and leveraged buyouts, we have entered a new era in labor-management relationships in the airline industry. Because of the insight the Board has obtained in mediating the dispute between management and labor at Eastern, is the Board working with the Secretaries of Labor and Transportation to ensure that those Departments have the benefit of that insight? Unfortunately, no matter who is right or wrong in this dispute it will become a mute question if some action is not taken to bring these parties together. I understand your delicate position in that the Board may still be called upon to mediate in this strike, and I appreciate your testimony.

Answer: The National Mediation Board stands prepared and ready to discuss matters concerning the labor-management relationships applicable to the airline industry at any time with either or both the Departments indicated.

AIRLINE CONTRACT NEGOTIATIONS

Question: On page 22 of your justification, it states that the Board faces an unusually high number of contract negotiations in 1989 involving major airlines. Could you elaborate on that statement, for example, do you have projections on the number of increases in your caseload as a result of those airline contract negotiations?

Answer: Based upon known "openings" of contract negotiations involving the airline crafts or classes involving a majority of the "major" airlines, our projections indicate a considerable increase in mediation caseload will result for the balance of fiscal 1989 and into fiscal 1990. At this time, the following airlines are involved in negotiations, (direct or in mediation) American, Braniff, Continental, Delta, Eastern (pilots), Hawaiian, Midway, Northwest, Piedmont, United, USAir, TWA, and Pan Am. Eight are "majors" generally bargaining with more than one craft or class of employees.

RAIL INDUSTRY NATIONAL BARGAINING

Question: Your justification also indicates that the rail industry faces industry-wide national bargaining in 1989. I understand that you have expressed concern over the possibility that some of the national carriers as well as the rail unions will seek to bargain independently, increasing your workload. Do you have a better sense of direction now that we are in 1989 as to how these negotiations will impact on your workload?

Answer: At this time it has not been determined specifically which rail unions or carriers will seek to bargain independently. Therefore, we have been unable to more accurately forecast the extent of the possible workload impact from such developments. However, we are proceeding on the assumption that the major rail systems will join, for the most p rt, the National Railway Labor Conference, and bargaining will follow the 1985 round.

Question: Have you developed any kind of action plan should increases occur in both airline and railroad mediation cases?

Answer: We are considering the following potential courses of action among others:

- Consolidation and concurrent handling of cases may be utilized with the agreement of the parties;

- Encouraging and facilitating, with limited assistance of a mediator further direct conferences by the parties in order to narrow the issues prior to full mediation assistance;

- Additional prioritizing of cases in order to ensure that the most sensitive cases receive sufficiently prompt handling while balancing the needs of the other parties to receive reasonably timely mediation assistance.

Question: I note that there were 123 new mediation cases added to the docket in FY 1988; and that 75 percent of those cases involved airlines. Do you anticipate any changes in the mix of cases that come to the Board for mediation?

Answer: Generally the airline industry will be the source of the bulk of our new cases. However, the railroad cases which are not involved in the next round of national bargaining could represent a substantial workload impact.

EMERGENCY AND VOLUNTARY ARBITRATION BOARDS

Question: Under Sections 160 and 159a of the Railway Labor Act, four emergency boards and 11 voluntary arbitration boards were convened in FY 1988. Have any emergency boards or voluntary arbitration boards been convened in 1989?

Answer: Thus far in fiscal year 1989, two emergency boards have been established involving PATH and certain employees represented by two unions. Emergency Board No. 217 was created on November 7, 1988, to make a final offer selection in a dispute between PATH and the Transportation Communications Union-Carmen Division (TCU). Emergency Board No. 218 was established on January 6, 1989, to make a final offer selection in the dispute between PATH and the Brotherhood of Locomotive Engineers (BLE). We estimate that three arbitration boards have convened since October 1, 1988.

Question: Do you have any projections for FY 1990?

Answer: The estimates for both emergency boards and arbitration boards are based on past experience. It is estimated that 15 arbitration boards, one section 160 emergency board and two section 159a emergency boards will be created.

ADJUSTMENT OF RAILROAD GRIEVANCES

Question: The 1934 Railway Labor Act created the National Railroad Adjustment Board (NRAB) which is now part of National Mediation Board to hear and decide disputes involving railroad employee grievances. I note from page 32 of your justification that only 20 percent of the cases handled by the NRAB are resolved; the remainder are handled by other adjustment boards. Is this a very low rate of resolutions? If it is, what are the reasons for not resolving more cases?

Answer: The 20 percent figure was an approximation of total section 3 workload. The tribunal to which a dispute is submitted is in the hands of the petitioning party. During FY 1988 the NRAB resolved 15 percent of the total cases resolved under section 3. At the end of the year they had slightly more than seven percent of the total pending caseload. It appears that the majority of the parties prefer a tribunal that meets on the carrier's property as opposed to one located in Chicago. Please bear in mind, however, that the NRAB is the only tribunal open to an individual who chooses to represent himself or herself or have a representative other than their union.

Question: Section 3 of the Railway Labor Act provides for funding for the arbitration of minor disputes. The hope is that this process will avoid a minor dispute turning into a disruption. How long has it taken for cases to go from the initial incident to final resolution for cases resolved in each of the last 5 years and for the first half of the current fiscal year?

Answer: The law precludes work disruption over a minor issue being progressed under Section 3 of the Railway Labor Act.

We cannot give a precise response to your questions concerning the time from initial incident to final resolution.

First, the contracts between rail carriers and unions have varying rules and time limits in progressing claims. Also, after final declination on the railroad property there is usually a nine month time limit to appeal the claim for binding arbitration, so that it is not unusual for one to two years to elapse between the occurrence of an incident and the time when the claim is progressed to a tribunal. However, some carriers and labor organizations have consummated arbitration agreements where the claimant may waive hearings, and the case goes directly to an expedited discipline board where decisions are received within 90 to 120 days of the initial incident.

The National Mediation Board has no control over where a case will be progressed.

Question: Aside from the NRAB, there is also the Special Board of Adjustment to resolve disputes arising out of grievances or of interpretation or application of provisions of collective bargaining agreements. How is the function of this board different from the NRAB, other than another mechanism to hear the same types of grievances?

Answer: Special Boards of Adjustment are generally between a single rail carrier and a single labor organization and meet on the carrier's property. The types of dispute arbitrated and the finality of those decisions are identical.

PUBLIC LAW BOARDS

Question: In 1966, the creation of Public Law Boards was authorized. These boards are established locally on individual railroads upon written request of either the representatives of the employees or railroads to resolve disputes otherwise referable to the NRAB. How is the function of this board different from the other two boards?

Answer: A Public Law Board can be created at the request of either party. Special Boards of Adjustment require a bi-lateral request. Both Public Law Boards and Special Boards of Adjustment meet on the property of the rail carrier. Public Law Boards and Special Boards of Adjustment must have duly elected union representatives on the board. An individual choosing to represent himself or herself or have a representative other than their union must go to the National Railroad Adjustment Board.

Question: Who pays for these boards?

Answer: The Government pays the salaries and travel expenses of arbitrators on all tribunals. All other costs of Public Law Boards and Special Boards of Adjustment are borne by the party incurring them.

On the National Railroad Adjustment Board the Government provides a staff to administratively handle the disputes, house the staff and provide meeting rooms. The statutory members are compensated by the parties appointing them.

SAVINGS

Question: If the improvements in grievance activities do not receive the anticipated savings, what would the impact be on the Board's ability to respond to railroad grievances pending and received in FY 1990?

Answer: Without the parties' cooperation to improve the grievance system and, unless the parties curtail their submission of new disputes, the number of disputes pending would rise. It should be understood that the National Mediation Board has no control over the number of disputes submitted for binding arbitration.

DUPLICATIVE SERVICES

Question: Are any of the services offered by the National Railroad Adjustment Board, the Public Law Boards, and the Special Boards of Adjustment duplicative?

Answer: The types of claims adjudicated and the finality of the decisions are the same. However, a claimant choosing to represent himself or herself or have a representative other than the duly recognized union must use the National Railroad Adjustment Board. The party progressing a dispute chooses the tribunal to which the appeal will be made. A case may only be heard by one of the boards, a party may not take "two bites of the apple".

STEPS TO CONTROL COSTS

Question: I note that the NMB has taken steps to control costs by requiring arbitrators to use a travel agency under contract to the federal government to reduce transportation costs and to require the numbering of each case before the Public Law Boards, and the Special Boards of Adjustment. What progress are you making in instituting these changes?

Answer: Neutrals have been utilizing the contract travel agency since January 1, 1989, with good results. We are currently working with labor and carrier representatives on numbering consecutively all cases before the Public Law Boards and Special Boards of Adjustment. We, then, will be able to track each case.

Question: What other changes are you proposing to streamline operations of the NRAB?

Answer: The Board has been concentrating on Public Law Boards and Special Boards of Adjustment with the numbering and tracking of cases. However, after tracking cases has been accomplished, which is already being done on the National Railroad Adjustment Board, we will initiate efforts to have cases categorized by index which we hope will lead to settlement of the same or similar issues without repeatedly invoking the services of an arbitrator.

According to the procedures set under the Railway Labor Act, any rule changes for the National Railroad Adjustment Board are in the hands of its statutory members who are selected and compensated by labor organizations and rail carriers and the National Mediation Board can only suggest and encourage change.

NUMBER OF BOARDS

Question: Your justification indicates that you estimate that 340 Public Law Boards and 40 Special Boards of Adjustment will be convened in FY 1990. How many NRAB Public Law Boards and Special Boards of Adjustment are there?

Answer: There are 1,400 cases before the National Railroad Adjustment Board, consisting of four divisions, which have jurisdiction over differing types of workers, such as operating, shop and non-operating. A total of 4,678 Public Law Boards have been established of which 1,039 are currently open, and 1,024 Special Boards of Adjustment have been established of which 184 are currently open.

Question: Would you provide for the record a listing of where those boards are located, and the costs associated with each board?

Answer: The sole office of the National Railroad Adjustment Board is in Chicago, Illinois. Following are lists of open Public Law Boards and Special Boards of Adjustment, showing meeting places in most instances. Unfortunately our records, recently automated, do not as yet allow us to provide cost information for each board. Following are total costs for FY 1988 for each type of tribunal. The administrative costs shown are for administering all section 3 arbitration.

NRAB	$ 360,000
Public Law Boards	1,489,000
Special Boards of Adjustment	552,000
Administrative Costs	510,000

PUBLIC LAW BOARDS (By Location)

BOARD	UNAME	LOCATION	CNAME
PLB1705	BLE		CENTRAL VERMONT RW
PLB3548	BRO. LOCOMOTIVE ENG.		DELAWARE&HUDSON RWY.
PLB3524	BRO. LOCOMOTIVE ENG.		DELAWARE&HUDSON RWY.
PLB2668	BRAC		NORFOLK & WESTERN RY
PLB4338	MAINTENANCE OF WAY		UNION PACIFIC RR CO.
PLB4340	MAINTENANCE OF WAY		BURLINGTON NORTHERN
PLB4401	UNITED TRANS. UNION		NEWBURGH&S. SHORE RY
PLB4462	UTU		SPRINGFIELD TERM RWY
PLB4483	IAM&AW		N.E. ILL. REG. COMM
PLB4486	UTU		MISSOURI-KANSAS-TEX
PLB4543	IBEW		PORTLAND TERM. RR CO
PLB4565	TCU		PORT TERM RR ASSOC
PLB4595	UTU (C,T&Y)		ST LOUIS SW/COTTON B
PLB4621	IBEW		ATCHISON/TOPEKA&S.FE
PLB4109	UTU (C&T)		GRAND TRUNK WEST. RR
PLB4561	UTU (C&T)	"DC" OR PORTLAND, OR	UNION PAC.-W. REG.
PLB2903	BRO. LOCOMOTIVE ENG.	ALBANY, NY	DELAWARE&HUDSON RWY.
PLB4277	UNITED TRANS. UNION	ALBANY, NY	DELAWARE&HUDSON RWY.
PLB4314	UNITED TRANS. UNION	ALBANY, NY	DELAWARE&HUDSON RWY.
PLB4345	UNITED TRANS. UNION	ALBANY, NY	DELAWARE & HUDSON
PLB3490	BLRMAKERS/BLKSMITHS	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB3587	UNITED TRANS. UNION	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB2982	BRO. LOCOMOTIVE ENG.	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB3070	BRO. LOCOMOTIVE ENG.	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB3053	UNITED TRANS. UNION	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB2649	UNITED TRANS. UNION	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB2313	BRO. LOCOMOTIVE ENG.	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB1467	UNITED TRANS. UNION	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB1449	UNITED TRANS. UNION	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB1319	MAINTENANCE OF WAY	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB0088	BRO. OF RR TRAINMEN	ALBANY, NY.	DELAWARE&HUDSON RWY.
PLB3370	INTL.BRO.ELEC.WKRS.	ALBUQUERQUE, NM	NATL. RR PASS. CORP.
PLB3616	UTU	ALIQUIPPA, PA.	ALIQUIPPA & SOUTHERN
PLB3133	UTU	ANACONDA, MT.	BUTTE, ANACONDA
PLB3924	BRO. LOCOMOTIVE ENG.	ATLANTA, GA	SOUTHERN RAILWAY
PLB3858	BRO. RWY. CARMEN	ATLANTA, GA	SOUTHERN RAILWAY
PLB3872	SIGNALMEN	ATLANTA, GA	ATLANTA & W POINT
PLB4321	INT. BRO. ELEC. WKRS	ATLANTA, GA	SOUTHERN RAILWAY
PLB4407	SUPERVISORS	ATLANTA, GA	SOUTHERN RY
PLB4357	YARDMASTERS	ATLANTA, GA	SOUTHERN RWY CO
PLB4433	SIGNALMEN	ATLANTA, GA	SOUTHERN RY. CO.
PLB4480	BLE	ATLANTA, GA	SOUTHERN RY CO
PLB4492	UTU (C) (T)	ATLANTA, GA	SOUTHERN RY CO
PLB4494	SMWIA	ATLANTA, GA	SOUTHERN RWY. CO.
PLB3924	BRO. LOCOMOTIVE ENG.	ATLANTA, GA	SOUTHERN RAILWAY
PLB2316	UTU	ATLANTA, GA.	GEORGIA RR
PLB3640	YARDMASTERS	ATLANTA, GA.	SOUTHERN RAILWAY
PLB3605	UTU	ATLANTA, GA.	CENT OF GEORGIA RWY
PLB2218	UTU	ATLANTA, GA.	ATLANTA & WEST POINT
PLB1513	BLE	ATLANTA, GA.	GEORGIA RAILROAD
PLB4170	INT.ASSOC.MACHINISTS	ATLANTA, GA.	SOUTHERN RAILWAY
PLB4460	TRAIN DISPATCHERS	ATLANTA, GA.	SOUTHERN RAILWAY
PLB3124	BRO. RWY. CARMEN	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB2814	BLE	BALTIMORE, MD	CHESAPEAKE & OHIO RW
PLB2236	UTU	BALTIMORE, MD	WESTERN MARYLAND RWY
PLB3882	UNITED TRANS UNION	BALTIMORE, MD	CHESAPEAKE & OHIO
PLB3907	UNITED TRANS UNION	BALTIMORE, MD	CHESAPEAKE & OHIO
PLB3935	UNITED TRANS. UNION	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB3989	BRO. RWY. CARMEN	BALTIMORE, MD	BALTIMORE & OHIO RR

PLB4069	UNITED TRANS. UNION	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB4093	YARDMASTERS	BALTIMORE, MD	CHESAPEAKE & OHIO
PLB4128	UNITED TRANS. UNION	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB4169	BRO.LOCO.ENGINEERS	BALTIMORE, MD	CHESAPEAKE & OHIO RR
PLB4235	JOINT COUNCIL OF GC	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB4290	CARMEN	BALTIMORE, MD	CHESAPEAKE & OHIO
PLB4292	UNITED TRANS. UNION	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB4339	BRO. RWY. CARMEN	BALTIMORE, MD	BALTIMORE & OHIO RR
PLB4380	BRO. RWY. CARMEN	BALTIMORE, MD	B&O CHICAGO TERMINAL
PLB4570	UTU	BALTIMORE, MD	PATAPSCO & BACKRIVER
PLB3510	UTU	BALTIMORE, MD.	CHESAPEAKE & OHIO RW
PLB3561	MAINTENANCE OF WAY	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB3519	UTU	BALTIMORE, MD.	CHESAPEAKE & OHIO RW
PLB3708	UNITED TRANS. UNION	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB3437	BLE	BALTIMORE, MD.	CHESAPEAKE & OHIO RY
PLB3446	IAM & AW	BALTIMORE, MD.	CHESAPEAKE & OHIO RW
PLB3540	BRAC	BALTIMORE, MD.	CHESAPEAKE & OHIO
PLB3522	IAM & AW	BALTIMORE, MD.	CHESAPEAKE & OHIO RY
PLB3264	BRC OF USC	BALTIMORE, MD.	CHESAPEAKE & OHIO
PLB3269	BRO. LOCOMOTIVE ENG.	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB3147	UTU	BALTIMORE, MD.	CHESAPEAKE & OHIO
PLB3034	UTU	BALTIMORE, MD.	CHESAPEAKE & OHIO RW
PLB2811	UTU	BALTIMORE, MD.	PATAPSCO & BACK
PLB2921	BRC US & C	BALTIMORE, MD.	CHESAPEAKE & OHIO RY
PLB3741	UNITED TRANS. UNION	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB2290	UNITED TRANS. UNION	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB1547	BLE	BALTIMORE, MD.	CHESAPEAKE & OHIO RY
PLB3819	BRO. RWY. CARMEN	BALTIMORE, MD.	BALTIMORE & OHIO RR
PLB3864	UNITED TRANS. UNION	BALTIMORE, MD.	BALTIMORE & OHIO RR.
PLB2089	UTU	BALTIMORE, MD.	CHESAPEAKE & OHIO RY
PLB3946	ALLIED SER.DIV/BRAC	BALTIMORE, OH	BALTIMORE & OHIO RR
PLB2817	CARMEN	BANGOR, ME	BANGOR & AROOSTOOK
PLB2513	BRAC	BANGOR, ME.	BANGOR & AROOSTOOK
PLB4617	UTU	BETHLEHEM, PA	PHIL./BETH./N. ENG.
PLB3168	UTU	BETHLEHEM, PA.	PHILADELPHIA, BETHLE
PLB2856	UTU	BETHLEHEM, PA.	PHILADELPHIA, BETH
PLB2924	UTU	BETHLEHEM, PA.	PHILA, BETHLEHEM
PLB3091	UTU	BETHLEHEM, PA.	PHILA, BETHLEHEM
PLB2768	UTU	BETHLEHEM, PA.	PHILA, BETHLEHEM
PLB3287	UTU	BETHLEHEM, PA.	PHILA, BETHLEHEM
PLB4636	UTU	BETHLEHEM, PA	PHILA. BETHLEHEM
PLB4654	UTU	BETHLEHEM, PA	PHILA, BETHLEHEM
PLB3856	UNITED TRANS. UNION	BILLING, MT.	BURLINGTON NORTHERN
PLB0960	BLE	BOSTON, MA	BOSTON & MAINE CORP
PLB4474	UTU	BOSTON, MA	BOSTON & MAINE CORP
PLB4502	UTU	BOSTON, MA	BURLINGTON NORTHERN
PLB3212	UNITED TRANS. UNION	BOSTON, MA.	CONSOLIDATED RAIL
PLB1335	UTU	BOSTON, MA.	BOSTON & MAINE CORP
PLB4089	BRO.RY.AL&SS CLERKS	BURLINGTON, VT	UNION PACIFIC RR CO.
PLB4602	IAM & AW	CEDAR RAPIDS, IA	CEDAR RAPIDS/IA CITY
PLB4452	UTU	CHARLESTON, W.VA	KELLEYS CREEK & NW
PLB4005	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4028	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3977	UNITED TRANS UNION	CHICAGO, IL	CHICAGO, SO SHORE
PLB4017	MACHINISTS	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB3855	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3253	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3896	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB4032	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL
PLB4043	BLRMAKERS/BLKSMITHS	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4031	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL
PLB3175	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3217	ENGINEERS	CHICAGO, IL	ILLINOIS CENTRAL GUL

PLB4007	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4056	SHEET METAL WORKERS	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB2865	BM & BK	CHICAGO, IL	IL. CENTRAL GULF RR.
PLB4030	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL
PLB3461	SHEET METAL WORKERS	CHICAGO, IL	UNION PACIFIC RR CO.
PLB1582	MAINTENANCE OF WAY	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB3176	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4123	INT.ASSOC.MACHINISTS	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB0779	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4006	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3893	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3902	INTL.BRO.ELEC.WKRS.	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3947	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB2366	MAINTENANCE OF WAY	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB2599	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB4029	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL
PLB3199	INTL. BRO. OF F&O	CHICAGO, IL	UNION PACIFIC RR CO.
PLB3431	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB3936	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB3976	BOILERMAKERS	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB3985	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4112	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB4113	ENGINEERS	CHICAGO, IL	BELT RY OF CHICAGO
PLB4081	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4085	CARMEN	CHICAGO, IL	NORTHEAST IL REG
PLB4108	UNITED TRANS UNION	CHICAGO, IL	ILLINOIS CENTRAL GUL
PLB4105	INTL.BRO.BOILERMAKER	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB4157	BRO.RY.AL&SS CLERKS	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB4099	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4231	INT.ASSOC.MACHINISTS	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB4226	UNITED TRANS. UNION	CHICAGO, IL	CHGO.,CENTRAL & PAC
PLB4244	MAINTENANCE OF WAY	CHICAGO, IL	ATCHISON TOPEKA & SF
PLB4253	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4272	UNITED TRANS. UNION	CHICAGO, IL	ILL.CENTRAL GULF
PLB4273	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4270	UNITED TRANS. UNION	CHICAGO, IL	BELT RY CO OF CHGO
PLB4284	CARMEN	CHICAGO, IL	CHICAGO & IL MIDLAND
PLB4296	FIREMEN & OILERS	CHICAGO, IL	BELT RY. CO. OF CHGO
PLB4297	CLERKS	CHICAGO, IL	BELT RY CO. OF CHGO
PLB4298	MACHINISTS	CHICAGO, IL	ILL. CENTRAL GULF RR
PLB4250	UNITED TRANS. UNION	CHICAGO, IL	NORFOLK & WESTERN RY
PLB4309	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	BELT RY. CO. CHICAGO
PLB4331	MAINTENANCE OF WAY	CHICAGO, IL	ILL.CENTRAL GULF RR
PLB4354	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4351	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	ILL. CENTRAL GULF RR
PLB4358	SHEET METAL WORKERS	CHICAGO, IL	CHGO.& N.WESTERN
PLB4362	MAINTENANCE OF WAY	CHICAGO, IL	NORFOLK & WESTERN
PLB4378	FIREMEN & OILERS	CHICAGO, IL	CSX TRANS. CO.
PLB4404	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN
PLB4414	TRANS.COMM.UNION	CHICAGO, IL	ILL.CENTRAL GULF
PLB4430	UNITED TRANS. UNION	CHICAGO, IL	CHICAGO & N.WESTERN
PLB3978	UNITED TRANS. UNION	CHICAGO, IL	MISSOURI PACIFIC RR
PLB4440	MACHINISTS	CHICAGO, IL	ATCHISON, TOPEKA &SF
PLB4447	UNITED TRANS. UNION	CHICAGO, IL	CHGO. & N. WESTERN
PLB4476	BRC/TCU	CHICAGO, IL	ATCHISON,TOPEKA & SF
PLB4081	BRO. LOCOMOTIVE ENG.	CHICAGO, IL	CHGO.& N.WESTERN RWY
PLB4437	UTU	CHICAGO, IL	N.E.ILL.REG.COMMUTER
PLB4522	UTU	CHICAGO, IL	BELT RY CO OF CHGO
PLB4544	BRC/TCU	CHICAGO, IL	CHGO.& N. WESTERN
PLB4458	UTU	CHICAGO, IL	ILL CENTRAL GULF RR
PLB4538	TCU	CHICAGO, IL	ILL CENTRAL GULF RR
PLB4548	UTU	CHICAGO, IL	CHICAGO&NORTHWESTERN
PLB4531	BLE	CHICAGO, IL	BELT RWY - CHICAGO

PLB4554	IBEW	CHICAGO, IL	CSX TRANSPORTAION IN
PLB4556	UTU	CHICAGO, IL	CHIC/MISSOURI/WEST.
PLB4562	UTU	CHICAGO, IL	METRA-NE IL REG CO
PLB4566	IBEW	CHICAGO, IL	ILL CENTRAL RR
PLB4576	UTU	CHICAGO, IL	CHICAGO & NORTHWEST
PLB4580	UTU	CHICAGO, IL	ATCHISON,TOPEKA & SF
PLB4583	BMWE	CHICAGO, IL	BURLINGTON NORTHERN
PLB4599	BRC - TCU	CHICAGO, IL	UNION PACIFIC RR CO
PLB4447	UNITED TRANS. UNION	CHICAGO, IL	CHGO. & N. WESTERN
PLB4610	ATDA	CHICAGO, IL	BELT RWY CO/CHICAGO
PLB4651	UTU	CHICAGO, IL	CHICAGO/NW/TRANS CO
PLB4657	TCU	CHICAGO, IL	MISSOURI/PACIFIC RR
PLB3371	INTL. BRO. OF F&O	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3660	UTU	CHICAGO, IL.	IN HARBOR BELT RR CO
PLB3667	BLE	CHICAGO, IL.	THE BELT RWY.CO.CHGO
PLB3618	BRC OF USC	CHICAGO, IL.	CHGO, MILW. ST PAUL&
PLB3617	BLE	CHICAGO, IL.	CHGO, MILW. ST PAUL&
PLB3664	BRO. RWY. CARMEN	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB3412	IAM & AW	CHICAGO, IL.	IL. CENTRAL GULF RR.
PLB3430	BRO. RWY. CARMEN	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3538	BLE	CHICAGO, IL.	IL CENTRAL GULF RR
PLB3499	UTU	CHICAGO, IL.	INDIANA HARBOR BELT
PLB3246	UNITED TRANS. UNION	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB3310	INTL. BRO. OF F&O	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB3341	IBF & O	CHICAGO, IL.	IL CENTRAL GULF RR
PLB3468	UNITED TRANS. UNION	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3154	UNITED TRANS. UNION	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB4053	UTU	CHICAGO, IL.	CHGO.& N.WESTERN TRA
PLB2987	BRO. LOCOMOTIVE ENG.	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3166	BRO. RWY. CARMEN	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3097	BRO. RR SIGNALMEN	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB3065	UTU	CHICAGO, IL.	INDIANA HARBOR BELT
PLB2960	MAINTENANCE OF WAY	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB2636	IBF & O	CHICAGO, IL.	IL CENTRAL GULF RR
PLB2712	BLRMAKERS/BLKSMITHS	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB2774	MAINTENANCE OF WAY	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB2781	BRC OF USC	CHICAGO, IL.	CHGO, MILW. ST PAUL&
PLB2793	BRO. LOCOMOTIVE ENG.	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3397	BRAC	CHICAGO, IL.	IL CENTRAL GULF RR
PLB2512	BRO. RWY. CARMEN	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB2505	INTL.BRO.ELEC.WKRS.	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB2575	BLE	CHICAGO, IL.	IN HARBOR BELT RR CO
PLB2199	UTU	CHICAGO, IL.	IN HARBOR BELT RR CO
PLB2269	UTU	CHICAGO, IL.	IL CENTRAL GULF RR
PLB2603	BRC OF US & C	CHICAGO, IL.	IL CENTRAL GULF RR
PLB2614	UTU	CHICAGO, IL.	IL CENTRAL GULF RR
PLB1962	UNITED TRANS. UNION	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3814	UNITED TRANS. UNION	CHICAGO, IL.	CHGO.& N.WESTERN RWY
PLB3818	BRO. LOCOMOTIVE ENG.	CHICAGO, IL.	BURLINGTON NORTHERN
PLB3824	SHEET METAL WORKERS	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB3840	ASD/BRAC	CHICAGO, IL.	WESTERN WEIGHING
PLB3841	ASD/BRAC	CHICAGO, IL.	WESTERN RR TRAFFIC
PLB3875	BRAC	CHICAGO, IL.	BELT RWY CO OF CHGO
PLB4535	SMWIA	CHICAGO, IL.	ILL. CENTRAL GULF RR
PLB4441	UTU	CHICAGO, IL.	IL. CENT. GULF RR
PLB4585	BLE	CHICAGO, IL.	IL. CENT. GULF RR
PLB4588	IBF&O	CHICAGO, IL.	NORTHEAST IL RR CORP
PLB4589	BRC-DIV TCIU,AFL-CIO	CHICAGO, IL.	ELGIN/JOLIET/EASTERN
PLB4598	TCU	CHICAGO, IL.	BELT RWY CO/CHICAGO
PLB3660	UTU	CHICAGO, IL.	IN HARBOR BELT RR CO
PLB4263	BRO. RR SIGNALMEN	CHICAGO, IL.	ATCHISON TOPEKA & SF
PLB4397	UTU	CHICAGO, IL.	CHGO. SHORT LINE RR
PLB4528	BRC	CHICAGO, IL.	ILL CENTRAL GULF RR

PLB4545	UTU	CHICAGO, IL.	CHICAGO & N.WESTERN
PLB4546	UTU	CHICAGO, IL.	CHICAGO & N.WESTERN
PLB4547	UTU	CHICAGO, IL.	CHICAGO & N.WESTERN
PLB4558	UTU	CHICAGO, IL.	ILL CENTRAL GULF RR
PLB4631	TCU	CHICAGO, IL.	METRA
PLB4649	IAM&AW	CHICAGO, IL.	NE ILL REGIONAL COMM
PLB3978	UNITED TRANS. UNION	CLEARWATER, FL	MISSOURI PACIFIC RR
PLB3999	UNITED TRANS UNION	CLEVELAND, OH	CUYAHOGA VALLEY
PLB3944	UNITED TRANS. UNION	CLEVELAND, OH	CUYAHOGA VALLEY RR
PLB2995	UNITED TRANS UNION	CLEVELAND, OH	NORFOLK & WESTERN
PLB3352	UNITED TRANS UNION	CLEVELAND, OH	CUYAHOGA VALLEY
PLB4115	CLERKS	CLEVELAND, OH	RIVER TERMINAL
PLB4154	UNITED TRANS UNION	CLEVELAND, OH	NORFLK & WESTERN
PLB4327	INTL.LONGSHOREMEN	CLEVELAND, OH	LOWER LAKE DOCK CO.
PLB4449	UNITED TRANS. UNION	CLEVELAND, OH	NORFOLK & WESTERN
PLB4469	UTU	CLEVELAND, OH	NORFOLK & WESTERN RY
PLB4509	BLE	CLEVELAND, OH	NORFOLK & WESTERN RY
PLB2995	UNITED TRANS UNION	CLEVELAND, OH	NORFOLK & WESTERN
PLB4542	BLE	CLEVELAND, OH	NORFOLK & WESTERN
PLB4574	UTU	CLEVELAND, OH	NORFOLK & WESTERN
PLB4653	ILA	CLEVELAND, OH	LOWER LAKE DOCK CO
PLB3608	BRAC	CLEVELAND, OH.	RIVER TERMINAL RR CO
PLB3732	BLE	CLEVELAND, OH.	NORFOLK & WESTERN RY
PLB3733	BLE	CLEVELAND, OH.	NORFOLK & WESTERN RY
PLB3596	UTU	CLEVELAND, OH.	CUYAHOGA VALLEY
PLB2631	UTU	CLEVELAND, OH.	RIVER TERMINAL RR CO
PLB2539	UTU	CLEVELAND, OH.	NORFOLK & WESTERN
PLB2331	UTU	CLEVELAND, OH.	AKRON, CANTON &
PLB2480	UTU	CLEVELAND, OH.	RIVER TERMINAL RR CO
PLB1630	UTU	CLEVELAND, OH.	ERIE LACKAWANNA RWY
PLB1837	BMWE	CLEVELAND, OH.	NORFOLK & WESTERN RY
PLB3777	UNITED TRANS. UNION	CLEVELAND, OH.	CUYAHOGA VALLEY
PLB3776	UTU	CLEVELAND, OH.	NORFOLK & WESTERN RY
PLB3732	BLE	CLEVELAND, OH.	NORFOLK & WESTERN RY
PLB4601	UTU	CLEVELAND, OH.	CUYAHOGA VALLEY RWY.
PLB4511	UTU	CLEVELAND, OH	CUYAHOGA VALLEY RWY
PLB3683	BRO. LOCOMOTIVE ENG.	COLONIE, NY.	DELAWARE&HUDSON RWY.
PLB3806	YARDMASTERS	COLONIE, NY.	DELAWARE&HUDSON RWY.
PLB4420	UTU/BLE	COLUMBUS, MS	GULF & MISSISSIPPI
PLB3968	UNITED TRANS UNION	CREVE COEUR, IL	PEORIA & PEKIN UNION
PLB3562	UTU	CREVE COEUR, IL.	PEORIA & PEKIN UNION
PLB3405	UTU	CROSSETT, AR.	ASHLEY, DREW & NO.
PLB3967	UNITED TRANS UNION	DALLAS, TX	MISSOURI-KANSAS-TEXA
PLB2994	UNITED TRANS UNION	DALLAS, TX	MISSOURI-KANSAS-TEXA
PLB4080	MACHINISTS	DALLAS, TX	MISSOURI-KANSAS-TEX
PLB4101	UNITED TRANS UNION	DALLAS, TX	MISSOUR-KANSAS-TEXAS
PLB4131	CLERKS	DALLAS, TX	MISSOURI-KANSAS-TX
PLB4133	UNITED TRANS UNION	DALLAS, TX	MISS-KANSAS-TEXAS
PLB4201	UNITED TRANS. UNION	DALLAS, TX	MISSOURI-KANSAS-TEX
PLB4385	UNITED TRANS.UNION	DALLAS, TX	MISS.KANSAS TEXAS
PLB4444	UNITED TRANS. UNION	DALLAS, TX	MISSOURI-KAN-TEXAS
PLB4486	UTU	DALLAS, TX	MISSOURI-KANSAS-TX
PLB3650	BRAC	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB3466	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB3491	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB2994	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB2739	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB2679	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB2320	UTU	DALLAS, TX.	MISSOURI-KANSAS-T
PLB3638	BLE	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB3703	UTU	DALLAS, TX.	OKLAHOMA, KANSAS &TX
PLB3249	BRAC	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB4342	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX

PLB4376	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB4413	BRS	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB4427	UTU	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB4557	UTU (C&T)	DALLAS, TX.	MISSOURI-KANSAS-TX
PLB2159	UTU	DEARBORN, MI.	DET TOLEDO & IRONTON
PLB4642	UTU-E	DENVER or PUEBLO, CO	COLORADO/WYOMING RWY
PLB3297	YARDMASTERS	DENVER, CO	DENVER & RIO GRANDE
PLB4221	CARMEN	DENVER, CO	DENVER & RIO GRANDE
PLB3926	UNITED TRANS UNION	DENVER, CO	DENVER & RIO GRANDE
PLB3929	CLERKS	DENVER, CO	DENVER & RIO GRANDE
PLB4136	FIREMEN & OILERS	DENVER, CO	DENVER & RIO GRANDE
PLB4227	UNITED TRANS. UNION	DENVER, CO	BURLINGTON NORTHERN
PLB4256	SIGNALMEN	DENVER, CO	DENVER & RIO GRANDE
PLB4260	BRO. LOCOMOTIVE ENG.	DENVER, CO	BURLINGTON NORTHERN
PLB4317	BRO.RY.AL&SS CLERKS	DENVER, CO	DENVER&RIO GRANDE
PLB4320	SHEET METAL WORKERS	DENVER, CO	BURLINGTON NORTHERN
PLB4372	UNITED TRANS. UNION	DENVER, CO	BURLINGTON NORTHERN
PLB4627	UTU-S	DENVER, CO	DENVER/RIO GRANDE W.
PLB4638	UTU (C&T)	DENVER, CO	DENVER/RIO GRANDE W.
PLB3715	UNITED TRANS. UNION	DENVER, CO.	BURLINGTON NORTHERN
PLB2907	UTU	DENVER, CO.	DENVER & RIO GRANDE
PLB3443	BRO. RWY. CARMEN	DENVER, CO.	UNION PACIFIC RR CO.
PLB3591	BLE	DENVER, CO.	DENVER & RIO GRANDE
PLB3804	UNITED TRANS. UNION	DENVER, CO.	BURLINGTON NORTHERN
PLB3690	UTU	DENVER, CO.	DENVER & RIO GRANDE
PLB3591	BLE	DENVER, CO.	DENVER & RIO GRANDE
PLB2743	UTU	DENVER, CO.	DENVER & RIO GRANDE
PLB4467	UNITED TRANS. UNION	DENVER, CO.	DENVER & RIO GRANDE
PLB4491	UTU	DENVER, CO.	BURLINGTON NORTHERN
PLB4104	MAINTENANCE OF WAY	DENVER, CO/NAPER,IL	BURLINGTON NORTHERN
PLB4352	BLE	DENVER, CO.	BURLINGTON NORTHERN
PLB4466	BLE	DENVER, CO.	DENVER&RIO GRANDE WEST
PLB4591	UTU (E)	DENVER, CO.	DENVER&RIO GRANDE WEST
PLB4605	UTU (S)	DENVER, CO.	DENVER&RIO GRANDE WEST
PLB4628	BRCofUS&C	DES MOINES, IA	SOO LINE RR CO.
PLB4022	UNITED TRANS UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB4045	UNITED TRANS UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB4063	UNITED TRANS UNION	DETROIT, MI	GRAND TRUNK
PLB4050	ENGINEERS	DETROIT, MI	GRAND TRUNK WESTERN
PLB4140	GREAT LAKES LIC OFF	DETROIT, MI	NORFOLK & WESTERN
PLB4248	UNITED TRANS. UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB4308	UNITED TRANS. UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB4347	INT.ASSOC.MACHINISTS	DETROIT, MI	GRAND TRUNK WESTERN
PLB4415	TRANS.COMM.UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB4439	MACHINISTS	DETROIT, MI	GRAND TRUNK WESTERN
PLB4519	UTU	DETROIT, MI	GRAND TRUNK WESTERN
PLB3914	UNITED TRANS UNION	DETROIT, MI	GRAND TRUNK WESTERN
PLB3547	UTU	DETROIT, MI.	GRAND TRUNK WESTERN
PLB3765	BMWE	DETROIT, MI.	GRAND TRUNK WESTERN
PLB2566	BRC OF US&C	DETROIT, MI.	GRAND TRUNK WESTERN
PLB2220	UNITED TRANS. UNION	DETROIT, MI.	CONSOLIDATED RAIL
PLB0012	UTU	DETROIT, MI.	GRAND TRUNK WESTERN
PLB3778	UTU	DETROIT, MI.	GRAND TRUNK WESTERN
PLB4592	IBF&O	DETROIT, MI.	GRAND TRUNK WEST. RR
PLB4596	TCU	DETROIT, MI.	GRAND TRUNK WEST. RR
PLB4648	BM&BK	DETROIT, MI.	GRAND TRUNK WEST. RR
PLB4446	UNITED TRANS. UNION	DULUTH, MN	DULUTH, WINNIPEG & P
PLB4471	BLE	DULUTH, MN	DULUTH,MISSSABE & IR
PLB4527	BLE	DULUTH, MN	DULUTH,MISSABE & IR
PLB4374	IAM&AW	DULUTH, MN	DULUTH,MISSABE & IR
PLB4645	BLE, MISSABE DIV	DULUTH, MN	DULUTH/MISSABE/IR.R.
PLB2646	UTU	EAST PEORIA, IL.	TOLEDO, PEORIA & W.
PLB1804	UTU	EAST PEORIA, IL.	TOLEDO,PEORIA & WEST

PLB1602	BLE	EAST PITTSBURGH, PA	UNION RAILROAD CO
PLB4422	UNITED TRANS. UNION	ELY, NEVADA	NEVADA NORTHERN
PLB4481	UTU	ERIE, PA	EAST ERIE COMM. RR
PLB4581	USWA/AFL-CIO	FAIRFIELD, AL.	BIRMINGHAM SOUTHERN
PLB4612	UTU	FAIRFIELD, AL	BIRMINGHAM SOUTHERN
PLB4652	UTU (Y)	FAIRFIELD, AL.	BIRMINGHAM SOUTHERN
PLB4463	BRO. LOCOMOTIVE ENG.	FALLS CHURCH, VA	SOUTHERN PACIFIC
PLB3242	BRO. LOCOMOTIVE ENG.	FORT WORTH, TX	BURLINGTON NORTHERN
PLB2049	UNITED TRANS UNION	FORT WORTH, TX	FORT WORTH & DENVER
PLB2105	UNITED TRANS. UNION	FORT WORTH, TX	MISSOURI PACIFIC RR
PLB3243	BRO. LOCOMOTIVE ENG.	FORT WORTH, TX	BURLINGTON NORTHERN
PLB4106	UNITED TRANS. UNION	FORT WORTH, TX	BURLINGTON NORTHERN
PLB4254	UNITED TRANS. UNION	FORT WORTH, TX	BURLINGTON NORTHERN
PLB4432	UNITED TRANS. UNION	FORT WORTH, TX	BURLINGTON NORTHERN
PLB2443	UNITED TRANS. UNION	FORT WORTH, TX.	MISSOURI PACIFIC RR
PLB3289	BLE	FORT WORTH, TX.	FT WORTH & DENVER RY
PLB3046	BLE	FT. WORTH, TX	FT. WORTH & DENVER
PLB4103	UNITED TRANS. UNION	FT. WORTH, TX	ATCHISON TOPEKA & SF
PLB3046	BLE	FT. WORTH, TX	FT. WORTH & DENVER
PLB4204	UNITED TRANS. UNION	FT. WORTH, TX	ATCHISON TOPEKA & SF
PLB2529	BMWE	FT. WORTH, TX.	FORT WORTH & DENVER
PLB2535	BMWE	FT. WORTH, TX.	FT. WORTH & DENVER
PLB3857	UNITED TRANS. UNION	FT. WORTH, TX.	ATCHISON TOPEKA & SF
PLB3952	CARMEN	GALVESTON, TX	GAL, HOUST & HEND
PLB4337	BRO.RY.AL&SS CLERKS	GALVESTON, TX	GALVESTON WHARVES
PLB4048	ENGINEERS	GRANITE CITY, IL	TERM RR OF ST LOUIS
PLB3908	UNITED TRANS UNION	GRANITE CITY, IL	TER RR OF ST. LOUIS
PLB3674	UTU	GRANITE CITY, IL.	TERM RAILROAD ASSOC
PLB4529	UTU	GRANITE CITY,IL	TERM.RR ASSOC.ST.LOU
PLB4185	CARMEN	GREEN BAY, WI	GREEN BAY & WESTERN
PLB4278	BRO.RAILWAY CARMEN	GREEN BAY, WI	GREEN BAY & WESTERN
PLB4639	UTU	GREEN BAY, WI	GREEN BAY & WEST. RR
PLB4024	CLERKS	HAMMOND, IN	INDIANA HARBOR BELT
PLB4633	BMWE	HAMMOND, IN	IND. HARBOR BELT RR
PLB3666	BMWE	HAMMOND, IN.	INDIANA HARBOR BELTK
PLB4011	CLERKS	HOUSTON, TX	SOUTHERN PACIFIC
PLB4057	UNITED TRANS UNION	HOUSTON, TX	SOUTHERN PACIFIC-EL
PLB3996	UNITED TRANS UNION	HOUSTON, TX	SOUTHERN PACIFIC
PLB4325	INTL.BRO.ELEC.WKRS.	HOUSTON, TX	SOUTHERN PACIFIC RR
PLB3861	CLERKS	HOUSTON, TX	HOUSTON BELT & TERMI
PLB3906	YARDMASTERS	HOUSTON, TX	HOUSTON BELT & TERM
PLB3938	CLERKS	HOUSTON, TX	SOUTHERN PACIFIC
PLB3869	UNITED TRANS UNION	HOUSTON, TX	HOUST, BELT & TERM
PLB4065	SHEET METAL WORKERS	HOUSTON, TX	SOUTHERN PACIFIC
PLB4118	UNITED TRANS UNION	HOUSTON, TX	HOUSTON BELT & TERM
PLB4179	BRO.RY.AL&SS CLERKS	HOUSTON, TX	SOUTHERN PACIFIC-EL
PLB4184	ENGINEERS	HOUSTON, TX	HOUSTON BELT&TERMINA
PLB4183	UNITED TRANS.UNION	HOUSTON, TX	SOUTHERN PACIFIC
PLB4242	UNITED TRANS.UNION-E	HOUSTON, TX	SOUTHERN PACIFIC TR
PLB4275	CLERKS	HOUSTON, TX	SOUTHERN PACIFIC
PLB4373	MAINTENANCE OF WAY	HOUSTON, TX	SOUTHERN PACIFIC
PLB4388	BRO.RY & SS CLERKS	HOUSTON, TX	HOUSTON BELT & TERM
PLB4389	UNITED TRANS. UNION	HOUSTON, TX	SOUTHERN PACIFIC
PLB4391	UNITED TRANS. UNION	HOUSTON, TX	SOUTHERN PACIFIC
PLB4515	UTU	HOUSTON, TX	SOUTHERN PACIFIC
PLB4582	IBBM&BS,	HOUSTON, TX	SOPAC (EAST LINES)
PLB4606	TCU	HOUSTON, TX	SOPAC (EASTERN LINE)
PLB4607	TCU	HOUSTON, TX	SOPAC (EASTERN LINE)
PLB4608	TCU	HOUSTON, TX	SOPAC (EASTERN LINE)
PLB3700	UTU	HOUSTON, TX.	HOUSTON BELT & TERM.
PLB3644	BLE	HOUSTON, TX.	HOUSTON BELT & TERM.
PLB3560	BLE	HOUSTON, TX.	HOUSTON BELT & TERM.
PLB3558	BMWE	HOUSTON, TX.	SOUTHERN PACIFIC RR

PLB3604	BLE	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB3399	BRAC	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB3081	UTU	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB3051	BRAC	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB2915	UTU	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB2876	BRC OF USC	HOUSTON, TX.	SOUTHERN PACIFIC RR
PLB2886	BLE	HOUSTON, TX.	HOUSTON BELT & TERM.
PLB2521	UTU	HOUSTON, TX.	PORT TERM RR ASSOC
PLB3763	BRC OF USC	HOUSTON, TX.	SOUTHERN PACIFIC
PLB3563	BRAC	HOUSTON, TX.	PORT TERM RR ASSOC
PLB4094	CARMEN	HOUSTON, TX.	PORT TERM RR ASSOC
PLB4344	UTU	HOUSTON, TX.	PORT TERM RR ASSOC
PLB4403	TCU	HOUSTON, TX.	SOUTHERN PACIFIC TRANS.
PLB4564	TCU	HOUSTON, TX.	SOUTHERN PACIFIC TRANS.
PLB4634	BRS	HOUSTON, TX.	SOUTHERN PACIFIC TRANS.
PLB4472	UTU	HUNTINGTON, W.VA.	CSX TRANSPORTATION
PLB4402	MAINTENANCE OF WAY	ILL. &/OR COLORADO	BURLINGTON NORTHERN
PLB4142	UNITED TRANS. UNION	INDIANAPOLIS, IN	CONSOLIDATED RAIL
PLB4497	UTU	INDIANAPOLIS, IN	INDIANA HI-RAIL CORP
PLB3161	UNITED TRANS. UNION	INDIANAPOLIS, IN.	CONSOLIDATED RAIL
PLB4300	ENGINEERS	JACKSON, MS	MIDSOUTH RAIL CORP
PLB4302	UNITED TRANS. UNION	JACKSON, MS	MIDSOUTH RAIL CORP.
PLB4054	BRO. RWY. CARMEN	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB2205	UTU	JACKSONVILLE, FL	SEABOARD COAST LINE
PLB1349	UTU	JACKSONVILLE, FL	SEABOARD COAST LINE
PLB2998	BOILERMAKERS	JACKSONVILLE, FL	SEABOARD COAST LINE
PLB3898	BRO. RWY. CARMEN	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB3901	INTL.BRO.ELEC.WKRS.	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB3953	UNITED TRANS. UNION	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB3983	SHEET METAL WORKERS	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4102	UNITED TRANS. UNION	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4116	TRAIN DISPATCHERS	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4144	UNITED TRANS. UNION	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4138	MAINTENANCE OF WAY	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4139	MAINTENANCE OF WAY	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4178	BRO. LOCOMOTIVE ENG.	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4192	MAINTENANCE OF WAY	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4240	BRO. LOCO. ENGINEERS	JACKSONVILLE, FL	CHESAPEAKE & OHIO RY
PLB4245	FIREMEN & OILERS	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4269	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4279	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4310	SHEET METAL WORKERS	JACKSONVILLE, FL	CSX TRANS., INC.
PLB4341	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4335	BRO. LOCOMOTIVE ENG.	JACKSONVILLE, FL	CHESAPEAKE & OHIO RY
PLB4368	BRO. LOCOMOTIVE ENG.	JACKSONVILLE, FL	CHESAPEAKE & OHIO RY
PLB4387	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4475	UTU	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4485	IAM&AW	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4505	TCU	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4178	BRO. LOCOMOTIVE ENG.	JACKSONVILLE, FL	SEABOARD SYSTEM RR
PLB4533	BM/BK	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4550	ATDA	JACKSONVILLE, FL	CSX TRANSPORT., INC.
PLB4553	IAM&AW	JACKSONVILLE, FL	CSX TRANSPORT., INC.
PLB4555	UTU (C-T-Y)	JACKSONVILLE, FL	CSX TRANSPORT., INC.
PLB4572	BLE	JACKSONVILLE, FL	CSX TRANSPORT., INC.
PLB4604	BMWE (DIXIE FED.)	JACKSONVILLE, FL	CSX (FORMER L&N)
PLB4279	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4643	BLE	JACKSONVILLE, FL	CSX TRANS. CORP.
PLB3636	BRO. RWY. CARMEN	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB3665	UNITED TRANS. UNION	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB3502	INTL.BRO.ELEC.WKRS.	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB3545	BRO.RY.AL&SS CLERKS	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB3521	BLE	JACKSONVILLE, FL.	CLINCHFIELD RR. CO.

PLB2998	BM &BK	JACKSONVILLE, FL.	SEABOARD COAST LINE
PLB3077	BLE	JACKSONVILLE, FL.	SEABOARD COAST LINE
PLB2143	UTU	JACKSONVILLE, FL.	SEABOARD COAST LINE
PLB3829	TRAIN DISPATCHERS	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB3521	BLE	JACKSONVILLE, FL.	CLINCHFIELD RR. CO.
PLB3829	TRAIN DISPATCHERS	JACKSONVILLE, FL.	SEABOARD SYSTEM RR
PLB4586	TCU-ALLIED SERV DIV	JACKSONVILLE, FL.	CSXT-CARROLLTON RR
PLB4459	UNITED TRANS. UNION	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4504	IAM&AW	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4641	BLE	JACKSONVILLE, FL	CSX TRANSPORTATION
PLB4009	BRO.RY.AL&SS CLERKS	JAMAICA, NY	LONG ISLAND RR CO.
PLB3880	YARDMASTERS	JAMAICA, NY	LONG ISLAND RR CO.
PLB4171	NATL.TRANS.SUPVRS.	JAMAICA, NY	LONG ISLAND RR CO.
PLB4162	INTL.BRO.ELEC.WKRS.	JAMAICA, NY	LONG ISLAND RR CO.
PLB4197	UNITED TRANS. UNION	JAMAICA, NY	LONG ISLAND RR CO.
PLB3613	INT.ASSOC.MACHINISTS	JAMAICA, NY	LONG ISLAND RR CO.
PLB4307	UNITED TRANS. UNION	JAMAICA, NY	LONG ISLAND RR CO.
PLB4386	UNITED TRANS. UNION	JAMAICA, NY	LONG ISLAND RR CO.
PLB4453	BOILERMAKER/BKSMTH	JAMAICA, NY	LONG ISLAND RR CO
PLB4037	UNITED TRANS. UNION	JAMAICA, NY	LONG ISLAND RAIL ROA
PLB4622	BRS	JAMAICA, NY	LONG ISLAND RR CO
PLB3611	INTL. BRO. OF F&O	JAMAICA, NY.	LONG ISLAND RR CO.
PLB3421	INT.BRO.TEAMSTERS	JAMAICA, NY.	LONG ISLAND RR CO.
PLB3429	POLICE BENE.ASSOC.	JAMAICA, NY.	LONG ISLAND RR. CO.
PLB3407	BRO. RWY. CARMEN	JAMAICA, NY.	LONG ISLAND RR. CO.
PLB3754	UNITED TRANS. UNION	JAMAICA, NY.	LONG ISLAND RR CO.
PLB1656	BRO. LOCOMOTIVE ENG.	JAMAICA, NY.	LONG ISLAND RR CO.
PLB3761	UNITED TRANS. UNION	JAMAICA, NY.	LONG ISLAND RR CO.
PLB3817	BRO. LOCOMOTIVE ENG.	JAMAICA, NY.	LONG ISLAND RR. CO.
PLB4620	UTU	JAMAICA/GRDN CITY,NY	LONG ISLAND RR CO
PLB3915	UNITED TRANS. UNION	JOLIET, IL	ELGIN,JOLIET&EASTERN
PLB4434	UTU	JOLIET, IL	ELGIN,JOLIET & EAST
PLB3892	UNITED TRANS. UNION	JOLIET, IL	ELGIN,JOLIET&EASTERN
PLB3910	UNITED TRANS UNION	JOLIET, IL	ELGIN, JOLIET & EAST
PLB4294	UNITED TRANS. UNION	JOLIET, IL	ELGIN,JOLIET&EASTERN
PLB4405	UNITED TRANS. UNION	JOLIET, IL	ELGIN, JOLIET & EAST
PLB4484	TCU	JOLIET, IL	ELGIN,JOLIET & EAST
PLB4571	UTU (T)	JOLIET, IL	ELGIN, JOLIET & EAST
PLB2707	UTU	JOLIET, IL.	ELGIN, JOLIET & EAST
PLB3393	UTU	JOLIET, IL.	ELGIN,JOLIET & EAST
PLB2498	UTU	JOLIET, IL.	ELGIN, JOLIET & EAST
PLB4569	UTU (C)	JOLIET, IL.	ELGIN, JOLIET & EAST
PLB4647	UTU (E)	JOLIET, IL.	ELGIN, JOLIET & EAST
PLB4630	UTU (T)	JOLIET, IL.	ELGIN, JOLIET & EAST
PLB3768	BRO. RWY. CARMEN	KANSAS CITY, KA.	ST.LOUIS SO.WESTERN
PLB4165	UNITED TRANS. UNION	KANSAS CITY, KN	ATCHISON TOPEKA & SF
PLB4205	UNITED TRANS. UNION	KANSAS CITY, KS	ATCHISON TOPEKA & SF
PLB3870	UNITED TRANS. UNION	KANSAS CITY, KS	ATCHISON TOPEKA & SF
PLB4019	ENGINEERS	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB3921	CLERKS	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB3939	CLERKS	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB3955	UTU	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB3198	CARMEN	KANSAS CITY, MO	MILW-KANSAS CITY SOU
PLB4168	INTL.BRO OF ELEC.WKR	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB4194	UNITED TRANS. UNION	KANSAS CITY, MO	UNION PACIFIC RR CO.
PLB4193	UNITED TRANS. UNION	KANSAS CITY, MO	UNION PACIFIC RR CO.
PLB4251	CARMEN	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB4359	UNITED TRANS. UNION	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB4375	UNITED TRANS. UNION	KANSAS CITY, MO	KANSAS CITY SOU. RY
PLB4379	BRO. LOCOMOTIVE ENG.	KANSAS CITY, MO	LOUISIANA & ARKANSAS
PLB4482	TCU	KANSAS CITY, MO	KANSAS CITY SOUTHERN
PLB4626	UTU (E)	KANSAS CITY, MO	ATCHISON/TOPEKA & SF
PLB4629	UTU (S)	KANSAS CITY, MO	KANSAS CITY TERM RWY

PLB4675	UTU (C&T)	KANSAS CITY, MO	UNION PACIFIC RR CO
PLB3569	BRAC	KANSAS CITY, MO.	KANSAS CITY SO. RWY.
PLB3323	UTU	KANSAS CITY, MO.	KANSAS CITY SOUTHERN
PLB2568	UTU	KANSAS CITY, MO.	MILW-KANSAS CITY SOU
PLB3843	UTU (C)	KANSAS CITY, MO.	KANSAS CITY SO (ETC)
PLB3871	UNITED TRANS UNION	LACKAWANNA, NY	SOUTH BUFFALO RWY
PLB3934	UNITED TRANS UNION	LAREDO, TX	TEXAS MEXICAN
PLB3954	UNITED TRANS UNION	LAREDO, TX	TEXAS MEXICAN
PLB4177	UNITED TRANS UNION	LAREDO, TX	TEXAS MEXICAN RWY CO
PLB4411	UNITED TRANS. UNION	LAREDO, TX	TEXAS MEXICAN RWY
PLB4421	UNITED TRANS. UNION	LAREDO, TX	TEXAS MEXICAN RWY
PLB3958	UNITED TRANS UNION	LORAIN, OH	LAKE TERMINAL
PLB4644	UTU	LORAIN, OH	LAKE TERMINAL RR CO
PLB0949	UTU	LORAIN, OH.	CHGO & IL MIDLAND RY
PLB4363	BRO.RY.AL&SS CLERKS	LORAIN, OHIO	LAKE TERMINAL RR CO.
PLB3911	UNITED TRANS. UNION	LOS ANGELES, CA	ATCHISON TOPEKA & SF
PLB4200	BRO. LOCOMOTIVE ENG.	LOS ANGELES, CA	ATCHISON TOPEKA & SF
PLB4315	UNITED TRANS. UNION	LOS ANGELES, CA	ATCHISON TOPEKA & SF
PLB4536	UTU	LOS ANGELES, CA	LOS ANGELES JUNCT RY
PLB4540	UTU	LOS ANGELES, CA	ATCHISON-TOPEKA & SF
PLB3257	UNITED TRANS. UNION	LOS ANGELES, CA.	ATCHISON TOPEKA & SF
PLB4516	UTU	LOS ANGELES, CA.	ATCHISON TOPEKA & SF
PLB2363	BMWE	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB2292	UTU	LOUISVILLE, KY	LOUISVILLE & NASHVIL
PLB2683	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB3189	IBEW	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB3109	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB2810	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB2672	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB2769	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB2214	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB3109	UTU	LOUISVILLE, KY.	LOUISVILLE & NASHVIL
PLB4237	UNITED TRANS. UNION	MEMPHIS, TN	UNION PACIFIC RR CO.
PLB4181	FIREMEN & OILERS	MINNEAPOLIS, MN	SOO LINE RR COMPANY
PLB4525	UTU/RYA	MINNEAPOLIS, MN	SOO LINE RR CO.
PLB3320	UTU	MINNEAPOLIS, MN.	SOO LINE RR CO
PLB2962	BRC OF US & C	MINNEAPOLIS, MN.	SOO LINE RAILROAD CO
PLB3334	BOILERMAKERS/BKSMITH	MINNERAPOLIS, MN	SOO LINE RR CO
PLB4510	IBF&O	MISSOULA, MT	MONTANA RAIL LINE
PLB4473	UTU	MOBILE, AL	TERM RY ALA ST. DOCK
PLB4507	UTU (M&ET)	MODESTO, CA	MODESTO & EMPIRE TRA
PLB4047	UNITED TRANS UNION	MONROEVILLE, PA	BESSEMER & LAKE ERIE
PLB3868	STEELWORKERS	MONROEVILLE, PA	UNION RAILROAD
PLB4332	UNITED STEELWORKERS	MONROEVILLE, PA	UNION RAILWAY CO.
PLB4524	USOFA	MONROEVILLE, PA	UNION RAILROAD
PLB4590	TCIU	MONROEVILLE, PA	BESSEMER/LAKE ERIE
PLB4625	UTU	MONROEVILLE, PA	BESSEMER/LAKE ERIE
PLB3722	UTU	MONROEVILLE, PA.	BESSEMER & LAKE ERIE
PLB2252	UNITED TRANS UNION	MORRISVILLE, VT	LAMOILLE VALLEY RR
PLB4611	UTU-E	N. KANSAS CITY, MO.	UNION PACIFIC RR CO
PLB4318	UNITED TRANS. UNION	N.BILLERICA, MA	BOSTON & MAINE CORP.
PLB4396	TRANS.COMM.UNION	N.BILLERICA, MA	DELAWARE & HUDSON
PLB4398	TRANS.COMM. UNION	N.BILLERICA, MA	BOSTON & MAINE RR
PLB4517	BMWE	N.BILLERICA, MA	BOSTON & MAINE CORP
PLB4189	BRO. LOCOMOTIVE ENG.	N.KANSAS CITY, MO	UNION PACIFIC RR CO.
PLB4264	BRO. LOCOMOTIVE ENG.	N.KANSAS CITY, MO	UNION PACIFIC RR CO.
PLB4266	BRO. LOCOMOTIVE ENG.	N.KANSAS CITY, MO	UNION PACIFIC RR CO.
PLB4436	UNITED TRANS. UNION	N.KANSAS CITY, MO	UNION PACIFIC RR CO
PLB4271	UNITED TRANS. UNION	NAPERVILLE, IL	BURLINGTON NORTHERN
PLB4584	IAM&AW	NAPERVILLE, IL.	BURLINGTON NORTHERN
PLB4443	UNITED TRANS UNION	NEW ORLEANS, LA	ILLINOIS CENTRAL
PLB2010	UTU	NEW ORLEANS, LA.	TX PACIFIC-MISSOURI
PLB3651	IAM & AW	NEW YORK CITY, NY	METRO NORTH RAILROAD

PLB4180	CARMEN	NEW YORK CITY, NY	PORT AUTHORITY TRANS
PLB3997	UNITED TRANS UNION	NEW YORK, NY	METRO NORTH COMM
PLB3508	BRC OF USC	NEW YORK, NY	PORT AUTHORITY TRANS
PLB4312	YARDMASTERS	NEW YORK, NY	METRO-NORTH COMMUTER
PLB4360	BRO. RWY. CARMEN	NEW YORK, NY	PORT AUTH.TRANS-HUD
PLB4406	UNITED TRANS. UNION	NEW YORK, NY	PROT AUTH.TRANS.HUD
PLB4470	BLE	NEW YORK, NY	PORT AUTH.TRANS-HUDS
PLB4477	BRC/TCU	NEW YORK, NY	PORT AUTH.TRANS HUD
PLB4489	BLE	NEW YORK, NY	PORT AUTH.TRANS.HUD
PLB4551	TWU	NEW YORK, NY	PORT AUTH. TRANS-HUD
PLB3336	UTU	NEW YORK, NY.	PORT AUTHORITY TRANS
PLB2662	UNITED TRANS. UNION	NEW YORK, NY.	CONSOLIDATED RAIL
PLB2515	UNITED TRANS. UNION	NEW YORK, NY.	CONSOLIDATED RAIL
PLB3771	ASD/BRAC	NEW YORK, NY.	RR PERISABLE INSPECT
PLB3827	UTU	NEW YORK, NY.	METRO-NORTH COMMUTER
PLB4479	UTU	NEW YORK, NY.	METRO-NORTH COMMUTER
PLB4597	BRS	NEW YORK, NY.	PORT AUTH TRANS HUDSON
PLB3891	ELECTRICAL WORKERS	NEWARK, NJ	NEW JERSEY TRANS
PLB4163	UNITED TRANS UNION	NEWARK, NJ	NEW JERSEY TRANSIT
PLB4539	UTU	NEWARK, NJ	NEW JERSEY TRANSIT
PLB3852	UTU	NO. BILLERICA, MA	BOSTON & MAINE CORP
PLB3853	UTU	NO. BILLERICA, MA	BOSTON & MAINE CORP.
PLB3887	BM&BK	NO. BILLERICA, MA	MAINE CENTRAL
PLB4623	UTU	NO. BILLERICA, MA	SPRINGFIELD TERM. RR
PLB3411	UTU	NO. BILLERICA, MA.	BOSTON & MAINE CORP.
PLB3202	BLE	NO. BILLERICA, MA	BOSTON & MAINE CORP
PLB2329	UTU	NO. BILLERICA, MA.	BOSTON & MAINE CORP
PLB2574	BRAC	NO. BILLERICA, MA.	BOSTON & MAINE
PLB3549	BLE	NO. BILLERICA, MA.	BOSTON & MAINE CORP.
PLB2766	INT.BRO.ELEC.WKRS.	NO. LITTLE ROCK, AR.	MISSOURI PACIFIC RR
PLB3373	UNITED TRANS. UNION	NONE	ATCHISON TOPEKA & SF
PLB3400	UNITED TRANS. UNION	NONE	ATCHISON TOPEKA & SF
PLB4370	BMWE	NONE	BURLINGTON NORTHERN
PLB4496	BRC	NONE	LONG ISLAND RR CO.
PLB4640	IBF&O	NONE	IND HARBOR BELT RR
PLB4202	UTU	NONE	ATCHISON TOPEKA & SF
PLB4203	UTU	NONE	ATCHISON TOPEKA & SF
PLB4210	BLE	NONE	ATCHISON TOPEKA & SF
PLB4211	BLE	NONE	ATCHISON TOPEKA & SF
PLB3751	CLERKS	NORFOLK, VA	NORFOLK SOUTHERN
PLB4153	CLERKS	NORFOLK, VA	NOR&PORTSMOUTH BELT
PLB4350	BRO. LOCOMOTIVE ENG.	NORFOLK, VA	NORFOLK & PORTSMOUTH
PLB4488	UTU	NORFOLK, VA	NORFOLK & WESTERN RY
PLB4559	TCU-ALLIED SERV. DIV	NORFOLK, VA	NORFOLK & WEST. RWY
PLB4567	UTU	NORFOLK, VA	NORFOLK & NORTHWEST.
PLB4575	UTU	NORFOLK, VA	NORFOLK & WESTERN
PLB4613	UTU	NORFOLK, VA	NORFOLK/WEST, RWY CO
PLB4619	BM&BK	NORFOLK, VA	NORFOLK/WEST. RWY CO
PLB4650	CARMEN	NORFOLK, VA	NORFOLK & WESTERN
PLB3751	BRAC	NORFOLK, VA.	NORFOLK SOUTHERN
PLB3706	BRO. LOCOMOTIVE ENG.	NORTH PLATTE, NE.	UNION PACIFIC RR CO.
PLB4225	MAINTENANCE OF WAY	OMAHA, NE	UNION PACIFIC RR CO.
PLB2096	UNITED TRANS. UNION	OMAHA, NE	UNION PACIFIC RR CO.
PLB3434	CARMEN	OMAHA, NE	UNION PACIFIC FR EXP
PLB4073	INT.ASSOC.MACHINISTS	OMAHA, NE	UNION PACIFIC RR CO.
PLB4173	INT.ASSOC.MACHINISTS	OMAHA, NE	UNION PACIFIC RR CO.
PLB4182	BRO. RWY. CARMEN	OMAHA, NE	UNION PACIFIC RR CO.
PLB4219	MAINTENANCE OF WAY	OMAHA, NE	UNION PACIFIC RR CO.
PLB4280	BLRMAKERS/BLKSMITHS	OMAHA, NE	UNION PACIFIC RR CO.
PLB4288	BRO.RY.AL&SS CLERKS	OMAHA, NE	UNION PACIFIC RR CO.
PLB4366	BLRMAKERS/BLKSMITHS	OMAHA, NE	UNION PACIFIC RR CO
PLB4393	BOILERMAKERS/BLKSMTH	OMAHA, NE	MISSOURI PACIFIC RR

PLB4655	UTU (C&T)	OMAHA, NE	UNION PACIFIC
PLB4656	UTU	OMAHA, NE	UNION PACIFIC
PLB3736	UNITED TRANS. UNION	OMAHA, NE.	UNION PACIFIC RR CO.
PLB3043	UNITED TRANS. UNION	OMAHA, NE.	UNION PACIFIC RR CO.
PLB2550	BRO. RWY. CARMEN	OMAHA, NE.	UNION PACIFIC RR CO.
PLB3600	INTL.BRO.ELEC.WKRS.	OMAHA, NE.	UNION PACIFIC RR CO.
PLB4587	IAM&AW	OMAHA, NE.	MISSOURI PACIFIC RR
PLB4518	IBBM&BK	OMAHA, NE.	UNION PACIFIC RR CO
PLB4521	IAM&AW	OMAHA, NE.	UNION PACIFIC RR CO.
PLB4079	UNITED TRANS UNION	PANAMA CITY, FL	ATLANTA & ST. ANDREW
PLB4355	UNITED TRANS. UNION	PANAMA CITY, FL	ATLANTA&ST.ANDREWS
PLB4498	TCU	PANAMA CITY, FL	ATLANTA & ST. ANDREW
PLB3932	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB2889	UNITED TRANS. UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB2945	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4188	UN.RWY.SUPERVISORS	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4218	TRAIN DISPATCHERS	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4236	INTL.BRO.ELEC.WKRS.	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4259	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4291	INT.ASSOC.MACHINISTS	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4301	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4326	UNITED TRANS. UNION	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4353	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4361	YARDMASTERS	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4382	UNITED TRANS. UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4392	UNITED TRANS. UNION	PHILADELPHIA, PA	NATL.RR PASS.CORP.
PLB4409	MACHINISTS	PHILADELPHIA, PA	NATL.RR PASS. CORP.
PLB4410	BRO.RWY. CARMEN	PHILADELPHIA, PA	CONSOLIDATED RAIL
PLB4424	BOILERMAKERS/BKSMTH	PHILADELPHIA, PA	NATL.RR PASS. CORP.
PLB4259	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB4568	BRS	PHILADELPHIA, PA	AMTRAK
PLB4573	IAM&AW	PHILADELPHIA, PA	METRO-NORTH COM.
PLB4578	UTU	PHILADELPHIA, PA	AMTRAK
PLB4532	IAM&AW	PHILADELPHIA, PA	METRO-NORTH/CONRAIL
PLB4600	UTU (C-E-T-Y)	PHILADELPHIA, PA	AMTRAK/NTL RR PASS.
PLB4603	BRS	PHILADELPHIA, PA	CONRAIL
PLB4578	UTU	PHILADELPHIA, PA	AMTRAK
PLB4424	BOILERMAKERS/BKSMTH	PHILADELPHIA, PA	NATL.RR PASS. CORP.
PLB4236	INTL.BRO.ELEC.WKRS.	PHILADELPHIA, PA	NATL. RR PASS. CORP.
PLB3701	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3427	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3584	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3403	SHEET METAL WORKERS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3713	UNITED TRANS. UNION	PHILADELPHIA, PA.	NATL. RR PASS. CORP.
PLB3148	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3111	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3003	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2947	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2664	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2682	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2720	INTL. BRO. OF F&O	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3755	INTL. BRO. TEAMSTERS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2786	YARDMASTERS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2570	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3729	MAINTENANCE OF WAY	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2263	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB2141	TRANSPORT WKRS.UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3514	MAINTENANCE OF WAY	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3775	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3781	MAINTENANCE OF WAY	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3711	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA.	NATL. RR PASS. CORP.
PLB3516	UNITED TRANS. UNION	PHILADELPHIA, PA.	NATL. RR PASS. CORP.
PLB3726	YARDMASTERS	PHILADELPHIA, PA.	CONSOLIDATED RAIL

PLB4129	BLRMAKERS/BLKSMITHS	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB4222	UNITED TRANS. UNION	PHILADELPHIA, PA.	NATL. RR PASS. CORP.
PLB2193	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB3427	UNITED TRANS. UNION	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB4614	ATDA	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB4615	BMWE	PHILADELPHIA, PA.	CONSOLIDATED RAIL
PLB4616	ATDA	PHILADELPHIA, PA.	AMTRAK
PLB4174	CLERKS	PITTSBURG, PA.	PITTSBURGH & LAKE ER
PLB3564	UNITED TRANS UNION	PITTSBURGH, PA	MONONGAHELA RY
PLB4238	UNITED TRANS. UNION	PITTSBURGH, PA	PITTSBURGH & LAKE ER
PLB4261	CLERKS	PITTSBURGH, PA	MONONGAHELA RY CO
PLB4287	ELECTRICAL WORKERS	PITTSBURGH, PA	CSX TRANSPORTATION
PLB4316	TRANSPORT WKRS.UNION	PITTSBURGH, PA	PITTSBURGH&LAKE ERIE
PLB4428	UNITED TRANS UNION	PITTSBURGH, PA	PITTSBURGH&OHIO VALL
PLB3063	BMWE	PITTSBURGH, PA.	PITTSBURGH & LAKER
PLB3792	UTU	PITTSBURGH, PA.	MONONGAHELA CONNECTI
PLB3865	RR.DIVN,TWUA.AFL-CIO	PITTSBURGH, PA.	PITTSBURGH & LAKE ER
PLB4593	UTU	PITTSBURGH, PA.	PITTSBURGH&OHIO VAL.
PLB4241	UNITED TRANS. UNION	PORTLAND, MAINE	MAINE CENTRAL RR CO.
PLB3888	MAINTENANCE OF WAY	PORTLAND, ME	MAINE CENTRAL
PLB4068	UNITED TRANS. UNION	PORTLAND, ME	MAINE CENTRAL RR CO
PLB2500	UNITED TRANS. UNION	PORTLAND, ME.	MAINE CENTRAL RR CO
PLB1483	UTU	PORTLAND, ME.	MAINE CENTRAL RR CO
PLB2500	UNITED TRANS. UNION	PORTLAND, ME.	MAINE CENTRAL RR CO
PLB3825	UNITED TRANS UNION	PORTLAND, OR	LONGVIEW SWITCHING
PLB4258	BRO. LOCOMOTIVE ENG.	PORTLAND, OR	UNION PACIFIC RR CO.
PLB3917	UNITED TRANS UNION	PORTLAND, OR	SPOKANE INTERNATION
PLB3923	BRO. LOCOMOTIVE ENG.	PORTLAND, OR	UNION PACIFIC RR CO.
PLB3981	ENGINEERS	PORTLAND, OR	PORTLAND TERMINAL
PLB4164	UNITED TRANS. UNION	PORTLAND, OR	UNION PACIFIC RR CO.
PLB4490	UTU	PORTLAND, OR	UNION PACIFIC RR CO
PLB3628	BLE	PORTLAND, OR.	LONGVIEW SWITCHING
PLB3635	UNITED TRANS. UNION	PORTLAND, OR.	UNION PACIFIC RR CO.
PLB3742	BRO. LOCOMOTIVE ENG.	PORTLAND, OR.	UNION PACIFIC RR CO.
PLB3672	UNITED TRANS. UNION	PORTLAND, OR.	UNION PACIFIC RR CO.
PLB3802	UNITED TRANS. UNION	PORTLAND, OR.	UNION PACIFIC RR CO.
PLB3839	UNITED TRANS. UNION	PORTLAND, OR.	UNION PACIFIC RR CO.
PLB4560	UTU	PORTLAND, OR	UNION PACIFIC RR CO.
PLB3916	UNITED TRANS UNION	RICHMOND, VA	RICH,FRED & POTOMAC
PLB2527	UNITED TRANS UNION	RICHMOND, VA	RICH, FRED & POTOMAC
PLB4313	UNITED TRANS. UNION	RICHMOND, VA	RICHMOND,FRED.& POTO
PLB2527	UNITED TRANS UNION	RICHMOND, VA	RICH, FRED & POTOMAC
PLB3438	BRAC	RICHMOND, VA.	RICHMOND, FREDERICKS
PLB3377	UTU	RICHMOND, VA.	RICHMOND, FREDERICKS
PLB2887	BRC OF USC	RICHMOND, VA.	RICHMOND, FREDERICKS
PLB4027	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN RY
PLB1949	ENGINEERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4282	UNITED TRANS. UNION	ROANOKE, VA	NORFOLK & WESTERN
PLB0094	UTU	ROANOKE, VA	NORFOLK & WESTERN RY
PLB2120	ELECTRICAL WORKERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4135	ENGINEERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4209	SHEET METAL WORKERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4216	CARMEN	ROANOKE, VA	NORFOLK & WESTERN
PLB4217	FIREMEN & OILERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4234	MACHINISTS	ROANOKE, VA	NORFOLK & WESTERN
PLB4243	UNITED TRANS.UNION-T	ROANOKE, VA	NORFOLK & WESTERN
PLB4289	CLERKS	ROANOKE, VA	NORFOLK & WESTERN
PLB4276	UNITED STEELWORKERS	ROANOKE, VA	NORFOLK & WESTERN
PLB4323	BRO. RWY. CARMEN	ROANOKE, VA	NORFOLK & WESTERN RY
PLB4324	UNITED TRANS. UNION	ROANOKE, VA	NORFOLK & WESTERN RY
PLB4328	UNITED TRANS. UNION	ROANOKE, VA	NORFOLK & WESTERN RY
PLB4417	BRO.LOCOMOTIVE ENG.	ROANOKE, VA	NORFOLK & WESTERN
PLB4423	TRANS.COMM. UNION	ROANOKE, VA	NORFOLK & WESTERN

PLB4429	UNITED TRANS. UNION	ROANOKE, VA	NORFOLK & WESTERN
PLB4448	UNITED TRANS. UNION	ROANOKE, VA	NORFOLK & WESTERN
PLB4454	TRANS.COMM.UNION	ROANOKE, VA	NORFOLK& WESTERN
PLB4487	UTU	ROANOKE, VA	NORFOLK & WESTERN
PLB4276	UNITED STEELWORKERS	ROANOKE, VA	NORFOLK & WESTERN
PLB3657	BRAC	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB3572	UNITED TRANS. UNION	ROANOKE, VA.	NORFOLK & WESTERN RW
PLB2719	RYA	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB2494	BLE	ROANOKE, VA.	NORFOLK, FRANKLIN
PLB2474	BRAC	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB1760	BMWE	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB3845	BMWE	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB3849	BRAC	ROANOKE, VA.	NORFOLK & WESTERN RY
PLB3984	CLERKS	S PORT/NO BILLERICA	MAIN CENT/PORT TERM
PLB4023	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB1486	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB3928	BRO. LOCOMOTIVE ENG.	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB3982	ENGINEERS	SALT LAKE CITY, UT	UTAH RY
PLB4090	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4127	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4451	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO
PLB4455	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO
PLB4632	UTU-E	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB3599	UNITED TRANS. UNION	SALT LAKE CITY, UT.	UNION PACIFIC RR CO.
PLB2685	UNITED TRANS. UNION	SALT LAKE CITY, UT.	UNION PACIFIC RR CO.
PLB3633	UTU	SALT LAKE CITY, UT.	OGDEN UNION RY&DEPOT
PLB3634	UNITED TRANS. UNION	SALT LAKE CITY, UT.	UNION PACIFIC RR CO.
PLB2685	UNITED TRANS. UNION	SALT LAKE CITY, UT.	UNION PACIFIC RR CO.
PLB4465	UNITED TRANS. UNION	SALT LAKE CITY, UT.	UNION PACIFIC RWY.CO
PLB4329	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4330	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4343	UNITED TRANS. UNION	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4450	BLE	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4520	UTU	SALT LAKE CITY, UT	UNION PACIFIC RR CO.
PLB4224	MACHINISTS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4074	FIREMEN & OILERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4070	BRO.RY.AL&SS CLERKS	SAN FRANCISCO, CA	UNION PACIFIC RR CO.
PLB1048	UTU	SAN FRANCISCO, CA	WESTERN PACIFIC RR
PLB3894	UNITED TRANS UNION	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB2104	ENGINEERS	SAN FRANCISCO, CA	SACRAMENTO NORTHERN
PLB3013	CLERKS	SAN FRANCISCO, CA	PACIFIC FRUIT EXPRES
PLB3986	FIREMEN & OILERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB3987	BOILERMAKERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4097	CARMEN	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4100	ENGINEERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB1952	CLERKS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4228	UNITED TRANS. UNION	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB1348	BRO.LOCO.ENGINEERS	SAN FRANCISCO, CA	WESTERN PACIFIC RR
PLB4319	BLRMAKERS/BLKSMITHS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4365	BRO. RWY. CARMEN	SAN FRANCISCO, CA	PAC. FRUIT EXPRESS
PLB4512	IAM & AW	SAN FRANCISCO, CA	SOUTHERN PACIFIC
PLB4552	IAM & AW	SAN FRANCISCO, CA	SO PAC TRANSP CO
PLB3576	UTU	SAN FRANCISCO, CA.	SOUTHERN PACIFIC RR
PLB3681	INLAND BOATMEN'S UN.	SAN FRANCISCO, CA.	ATCHISON TOPEKA & SF
PLB3241	BMWE	SAN FRANCISCO, CA.	WESTERN PACIFIC RR
PLB3378	UTU	SAN FRANCISCO, CA.	SOUTHERN PACIFIC RR
PLB2472	UTU	SAN FRANCISCO, CA.	SOUTHERN PACIFIC
PLB2439	BMWE	SAN FRANCISCO, CA.	SOUTHERN PACIFIC
PLB3790	BM & BK	SAN FRANCISCO, CA.	SOUTHERN PACIFIC RR
PLB3835	BRC OF USC	SAN FRANCISCO, CA.	SOUTHERN PACIFIC RR
PLB2472	UTU	SAN FRANCISCO, CA.	SOUTHERN PACIFIC
PLB4457	IBEW	SAN FRANCISCO, CA.	SOUTHERN PACIFIC
PLB3138	UTU	SAVANNAH, GA.	CENT OF GEORGIA RWY

PLB4025	TEAMSTERS	SEATTLE, WA	PACIFIC & ARCTIC RY
PLB3974	BRO. RWY. CARMEN	SEATTLE, WA	BURLINGTON NORTHERN
PLB4186	UNITED TRANS. UNION	SEATTLE, WA	BURLINGTON NORTHERN
PLB3449	UTU	SKAGWAY, AK.	PACIFIC & ARTIC RWY.
PLB2929	UTU	SOUTHFIELD, MI.	CHESAPEAKE & OHIO RW
PLB3889	UNITED TRANS. UNION	SPRING, TX	MISSOURI PACIFIC RR
PLB4190	BRO.LOCOMOTIVE ENG.	SPRING, TX	UNION PACIFIC RR CO.
PLB3737	UNITED TRANS. UNION	SPRING, TX,	MISSOURI PACIFIC RR
PLB3862	CLERKS	SPRINGFIELD, IL	CHICAGO & ILL MIDLAN
PLB4098	CARMEN	SPRINGFIELD, IL	CHICAGO & ILL MIDLAN
PLB2201	UTU	SPRINGFIELD, IL.	CHICAGO & IL MIDLAND
PLB4066	UNITED TRANS. UNION	SPRINGFIELD, MO	BURLINGTON NORTHERN
PLB3960	UNITED TRANS. UNION	SPRINGFIELD, MO	BURLINGTON NORTHERN
PLB4438	UNITED TRANS. UNION	SPRINGFIELD, MO	BURLINGTON NORTHERN
PLB4478	UTU	SPRINGFIELD, MO	UNION PACIFIC RR CO
PLB4526	ELECTRICAL WORKERS	SPRINGFIELD, MO	BURLINGTON NORTHERN
PLB4530	BLE	SPRINGFIELD, MO	BURLINGTON NORTHERN
PLB0887	BLE	SPRINGFIELD, MO.	ST. LOUIS-SAN FRANCI
PLB3381	UNITED TRANS UNION	ST. ALBANS, VT	CENTRAL VERMONT
PLB4150	BRO. LOCOMOTIVE ENG.	ST. ALBANS, VT	NATL. RR PASS. CORP.
PLB4426	MAINTENANCE OF WAY	ST. ALBANS, VT	CENTRAL VERMONT
PLB4624	ATDA	ST. ALBANS, VT	CENTRAL VERMONT RWY
PLB4646	UTU	ST. ALBANS, VT	CENTRAL VERMONT RWY
PLB2809	UTU	ST. ALBANS, VT.	CENTRAL VERMONT RWY
PLB2545	UTU	ST. ALBANS, VT.	CENTRAL VERMONT RWY
PLB4514	UTU	ST. AUGUSTINE, FL	FL E COAST HWY DISP
PLB3966	UNITED TRANS UNION	ST. AUGUSTINE, FL	FL EAST COAST HY DIS
PLB4220	UNITED TRANS. UNION	ST. AUGUSTINE, FL	FLORIDA E.COAST HGWY
PLB3680	UTU	ST. AUGUSTINE, FL.	FL. EAST COAST HWY
PLB4464	FLO.FED.RR EMP.	ST. AUGUSTINE, FL.	FLO.EAST COAST RWY.
PLB1849	UNITED TRANS. UNION	ST. JOHNSBURY, VT	CANADIAN PACIFIC LTD
PLB3994	YARDMASTERS	ST. LOUIS, MO	MISSOURI PACIFIC RR
PLB4049	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
PLB4064	BRO.RY.AL&SS CLERKS	ST. LOUIS, MO	MISSOURI PACIFIC RR
PLB4061	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
PLB0912	UTU	ST. LOUIS, MO	NORFOLK & WESTERN RY
PLB2455	UTU	ST. LOUIS, MO	IL TERM RAILROAD CO
PLB3885	BRO. RWY. CARMEN	ST. LOUIS, MO	MISSOURI PACIFIC RR
PLB2836	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
PLB3203	BRO. RWY. CARMEN	ST. LOUIS, MO	MISSOURI PACIFIC RR
PLB3969	BRO.RY.AL&SS CLERKS	ST. LOUIS, MO	MISSOURI PACIFIC RR
PLB4084	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
PLB4367	UNITED TRANS. UNION	ST. LOUIS, MO	UNION PACIFIC RR
PLB4461	UNITED TRANS. UNION	ST. LOUIS, MO	NORFOLK & WESTERN
PLB4468	UTU	ST. LOUIS, MO	NORFOLK & WESTERN RY
PLB4500	UTU	ST. LOUIS, MO	MANUFACTURERS RY
PLB4503	UTU	ST. LOUIS, MO	ALTON & SOUTHERN RR
PLB4635	UTU(T)	ST. LOUIS, MO	MISSOURI PACIFIC
PLB3539	MAINTENANCE OF WAY	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB3236	BLE	ST. LOUIS, MO.	NORFOLK & WESTERN RW
PLB3251	BRO. LOCOMOTIVE ENG.	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB3299	UTU	ST. LOUIS, MO.	NORFOLK & WESTERN
PLB3227	BLE	ST. LOUIS, MO.	TERMINAL RR ASSOC OF
PLB2789	BLE	ST. LOUIS, MO.	NORFOLK & WESTERN RY
PLB2551	UTU	ST. LOUIS, MO.	TERM RAILROAD ASSOC
PLB2129	UTU	ST. LOUIS, MO.	OREGON, CA, EASTERN
PLB2003	UNITED TRANS. UNION	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB1883	UNITED TRANS. UNION	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB0596	UNITED TRANS. UNION	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB3770	UTU	ST. LOUIS, MO.	NORFOLK & WESTERN RY
PLB0596	UNITED TRANS. UNION	ST. LOUIS, MO.	MISSOURI PACIFIC RR
PLB4537	BLE	ST. LOUIS, MO.	ST.LOUIS, S.WESTERN
PLB1479	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN

PLB4052	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3229	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3933	BRO. LOCOMOTIVE ENG.	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3229	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3408	BRO. RWY. CARMEN	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3950	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4148	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4161	MAINTENANCE OF WAY	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4212	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4381	MAINTENANCE OF WAY	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4390	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4425	BRO.RWY. CARMEN	ST. PAUL, MN	WESTERN FRUIT EXP
PLB4445	BOILERMAKERS/BKSMTH	ST. PAUL, MN	BURLINGTON NORTHERN
PLB4506	SMWIA	ST. PAUL, MN	BURLINGTON NORTHERN
PLB3460	MAINTENANCE OF WAY	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3321	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3304	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3146	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3139	INTL. BRO. OF F&O	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3193	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB3008	INT.ASSOC.MACHINISTS	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB2869	BLRMAKERS/BLKSMITHS	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB2902	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB2784	BRO. LOCOMOTIVE ENG.	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB4213	UNITED TRANS. UNION	ST. PAUL, MN.	BURLINGTON NORTHERN
PLB4172	INT.ASSOC.MACHINISTS	ST.PAUL, MN	BURLINGTON NORTHERN
PLB4523	UTU	ST.PAUL, MN	BURLINGTON NORTHERN
PLB4419	UNITED TRANS. UNION	ST.PAUL,/SEATTLE	BURLINGTON NORTHERN
PLB3671	UNITED TRANS. UNION	ST.PAUL,MN.	BURLINGTON NORTHERN
PLB4431	MAINTENANCE OF WAY	ST.PAUL.MN/SEATT.WA	BURLINGTON NORTHERN
PLB1959	UNITED TRANS UNION	STATEN ISLAND, NY	STATEN ISLAND RAPID
PLB4207	UNITED TRANS. UNION	STATEN ISLAND, NY	SIRTOA
PLB4456	UNITED TRANS. UNION	STOCKTON, CA	CENTRAL CALIF. TRAC.
PLB3134	UTU	STOCKTON, CA.	STOCKTON TERM & EAST
PLB3335	INTL LONGSHOREMEN	TOLEDO, OH	CHESAPEAKE & OHIO
PLB3025	UTU	TOLEDO, OH.	TOLEDO TERM RR CO
PLB2001	UTU	TOLEDO, OH.	TOLEDO TERMINAL RR
PLB3464	UTU	TOLEDO, OHIO	TOLEDO TERMINAL RR.
PLB2483	UNITED TRANS. UNION	TOPEKA, KS.	ATCHISON TOPEKA & SF
PLB1534	UNITED TRANS. UNION	TOPEKA, KS.	ATCHISON TOPEKA & SF
PLB4364	UNITED TRANS. UNION	TUCSON, ARIZONA	SAN MANUEL ARIZONA
PLB4594	UTU	TULSA, OK.	BURLINGTON NORTHERN
PLB4039	INT.ASSOC.MACHINISTS	TYLER, TX	ST.LOUIS SO.WESTERN
PLB4087	BRO.RY.AL&SS CLERKS	TYLER, TX	ST.LOUIS SO.WESTERN
PLB4088	BRO.RY.AL&SS CLERKS	TYLER, TX	ST.LOUIS SO.WESTERN
PLB4159	TRAIN DISPATCHERS	TYLER, TX	ST.LOUIS SO.WESTERN
PLB0452	BRO. LOCOMOTIVE ENG.	TYLER, TX.	ST.LOUIS SO.WESTERN
PLB3294	UNITED TRANS. UNION	TYLER, TX.	ST.LOUIS SO.WESTERN
PLB3783	JT COUNCIL OF CARMEN	WASHINGTON, D.C.	NATL. RR PASS. CORP.
PLB4034	RLEA FOR CONSOL ARB	WASHINGTON, DC	NORFOLK & WESTERN
PLB4036	RWY.LABOR EXEC.ASSOC	WASHINGTON, DC	DELAWARE&HUDSON RWY.
PLB4117	BRO. LOCOMOTIVE ENG.	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB4208	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB4058	UNITED TRANS. UNION	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB1613	UNITED TRANS. UNION	WASHINGTON, DC	SOUTHERN RAILWAY
PLB2578	UTU	WASHINGTON, DC	CENT OF GEORGIA RWY
PLB3312	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	SOUTHERN RAILWAY
PLB3991	JT COUNCIL OF CARMEN	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB4117	BRO. LOCOMOTIVE ENG.	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB3530	MAINTENANCE OF WAY	WASHINGTON, DC	NORFOLK & WESTERN
PLB4152	AMER.RY.SUPVRS.ASSN.	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB2481	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	SOUTHERN RAILWAY
PLB4262	AMTRAK SERV. WORKERS	WASHINGTON, DC	NATL. RR PASS. CORP.

PLB4267	AMTRAK SERV. WORKERS	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB4295	MACHINISTS	WASHINGTON, DC	NEW JERSEY TRANSIT
PLB4304	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	NATL. RR PASS. CORP.
PLB4400	TRANS.COMM.UNION	WASHINGTON, DC	NATL.RR PASS CORP.
PLB3445	MAINTENANCE OF WAY	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB3409	INT.ASSOC.MACHINISTS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3630	AMTRAK SERV. WORKERS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3567	INTL. BRO. OF F&O	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3705	SHEET METAL WORKERS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3581	IBF & O	WASHINGTON, DC.	NE ILLINOIS REGIONAL
PLB3103	AMTRAK SERV. WORKERS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB2971	BRO.RY.AL&SS CLERKS	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB3272	INTL.BRO.ELEC.WKRS.	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB3625	JT COUNCIL OF CARMEN	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB2750	UTU	WASHINGTON, DC.	CENT OF GEORGIA RWY
PLB2792	BRO.RY.AL&SS CLERKS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3372	UTU	WASHINGTON, DC.	CINCINNATI, NEW ORLE
PLB2044	BRO. RR SIGNALMEN	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB1603	BLE	WASHINGTON, DC.	CENT OF GEORGIA RWY
PLB0959	UNITED TRANS. UNION	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB0964	UNITED TRANS. UNION	WASHINGTON, DC.	SOUTHERN RAILWAY
PLB3724	INT.ASSOC.MACHINISTS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3782	BRO.RY.AL&SS CLERKS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3769	UNITED TRANS. UNION	WASHINGTON, DC.	UNION PACIFIC RR CO.
PLB3809	UTU	WASHINGTON, DC.	WASHINGTON TERMINAL
PLB4418	TRANS.COMM.UNION	WASHINGTON, DC.	AMTRAK
PLB3103	AMTRAK SERV. WORKERS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3567	INTL. BRO. OF F&O	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3724	INT.ASSOC.MACHINISTS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3625	JT COUNCIL OF CARMEN	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB3705	SHEET METAL WORKERS	WASHINGTON, DC.	NATL. RR PASS. CORP.
PLB4377	IBF&O	WASHINGTON, DC.	NEW JERSEY TRANSIT
PLB4026	BRO. LOCOMOTIVE ENG.	WATERVLIET, NY	DELAWARE&HUDSON RWY
PLB4356	UNITED TRANS. UNION	WINSTON-SALEM, NC	WINSTON-SALEM SO.BND
PLB4299	UNITED TRANS. UNION	WOONSOCKET, RI	PROVIDENCE&WORCESTER

SPECIAL BOARDS OF ADJUSTMENT (By Location)

BOARD	UNAME	LOCATION	CNAME
SBA0398	UNITED TRANS UNION		PENN CENTRAL
SBA0183	ENGINEERS		SOUTHERN PACIFIC
SBA0175	UNITED TRANS UNION		MILWAUKEE ROAD
SBA0255	UNITED TRANS UNION		CENTRAL RR OF NJ
SBA0231	UNITED TRANS UNION		PENN CENTRAL
SBA0196	BRO. LOCOMOTIVE ENG.		LONG ISLAND RR CO.
SBA0195	UNITED TRANS UNION		GRAND TRUNK WESTERN
SBA0356	UNITED TRANS. UNION		CHGO.& N.WESTERN RWY
SBA0123	UNITED TRANS UNION		SOUTHERN PACIFIC
SBA0406	UNITED TRANS UNION		PENN CENTRAL
SBA0421	CLERKS		PENN CENTRAL
SBA0574	UNITED TRANS UNION		ST LOUIS-SAN FRAN
SBA0064	ENGINEERS		SOUTHERN PACIFIC
SBA0806	UNITED TRANS UNION		NATL RY LABOR CONF
SBA0793	UNITED TRANS. UNION		BURLINGTON NORTHERN
SBA0836	RY EMPL DEPT		NATL RY LABOR CONF
SBA0925	MAINTENANCE OF WAY		BURLINGTON NORTHERN
SBA0895	CLERKS		CHGO, RI & PACIFIC
SBA0937	CARMEN		NORFOLK & WESTERN
SBA0977	ZARA N. STURMAN		CONSOLIDATED RAIL
SBA0605	ENCC		NRLC
SBA0280	MAINTENANCE OF WAY		ST.LOUIS SO.WESTERN
SBA0642	UNITED TRANS. UNION		MISSOURI-KANSAS-TEXA

SBA0993	UNITED TRANS. UNION		SOUTHERN PACIFIC
SBA0995	UNITED TRANS. UNION		SOUTHERN PAC. (WL)
SBA1002	BRO. LOCOMOTIVE ENG.		SOUTHERN PACIFIC
SBA1003	BRO. RR SIGNALMEN		ATCHISON TOPEKA & SF
SBA0021	UNITED TRANS. UNION		SOUTHERN PACIFIC
SBA1017	UTU		SOPAC (WESTERN LINE)
SBA0900	BRO.RY.AL&SS CLERKS	ALBANY, NY	DELAWARE&HUDSON RWY.
SBA1004	TRANS.COMM.UNION	ATLANTA, GA	SOUTHERN RWY. CO.
SBA0886	UNITED TRANS. UNION	BALTIMORE, MD	BALTIMORE & OHIO RR
SBA0906	GREAT LAKES LICENSED	BALTIMORE, MD	CHESAPEAKE & OHIO
SBA0140	UNITED TRANS UNION	CHICAGO, IL	MILWAUKEE ROAD
SBA0597	INTL. BRO. OF F&O	CHICAGO, IL	SOUTHERN RAILWAY
SBA0872	ENGINEERS	CHICAGO, IL	ILLINOIS CENT GULF
SBA0924	MAINTENANCE OF WAY	CHICAGO, IL	CHGO.& N.WESTERN RWY
SBA0870	CLERKS	CHICAGO, IL	ILLINOIS CENT GULF
SBA0235	UNITED TRANS. UNION	CHICAGO, IL	CHGO.& N.WESTERN RWY
SBA0570	RWY EMPLOYES DEPT.	CHICAGO, IL	NATL.RWY.LABOR CONF
SBA0140	UNITED TRANS UNION	CHICAGO, IL	MILWAUKEE ROAD
SBA1008	TCU	CINCINNATI, OH	CSX TRANSPORTATION
SBA0834	UNITED TRANS UNION	CLEVELAND, OH	NORFOLK & WESTERN
SBA0861	UNITED TRANS UNION	CLEVELAND, OH	NORFOLK & WESTERN
SBA0853	UNITED TRANS UNION	CLEVELAND, OH	ERIE LACKAWANNA
SBA1012	ILA	CLEVELAND, OH.	CONRAIL
SBA0388	UNITED TRANS UNION	DALLAS, TX	MISSOURI-KANSAS-TEX
SBA0908	YARDMASTERS	DAVENPORT, IA	DAV, RI & NO. WESTER
SBA0947	MAINTENANCE OF WAY	DENVER, CO	SOUTHERN PACIFIC
SBA0423	UNITED TRANS UNION	HOUSTON, TX	PORT TERMINAL
SBA0280	MAINTENANCE OF WAY	HOUSTON, TX	ST.LOUIS SO.WESTERN
SBA0423	UNITED TRANS UNION	HOUSTON, TX	PORT TERMINAL
SBA0942	BRO.RY.AL&SS CLERKS	JACKSONVILLE, FL	SEABOARD SYSTEM RR
SBA0971	BRO. LOCOMOTIVE ENG.	JACKSONVILLE, FL	SEABOARD SYSTEM RR
SBA0988	CLERKS	JACKSONVILLE, FL	CSX TRANSPORTATION
SBA0955	UNITED TRANS. UNION	JACKSONVILLE, FL	SEABOARD SYSTEM RR
SBA1007	MACHINISTS	JACKSONVILLE, FL	SEABOARD SYSTEM RR
SBA0631	INTL.BRO.ELEC.WKRS.	JAMAICA, NY	LONG ISLAND RR CO.
SBA0739	BRO. RWY. CARMEN	JAMAICA, NY	LONG ISLAND RR CO.
SBA0923	JT BD ON PENS APPL	JAMAICA, NY	LONG ISLAND RR CO.
SBA0972	BRO.RY.AL&SS CLERKS	JAMAICA, NY	LONG ISLAND RR CO.
SBA0631	INT.ASSOC.MACHINISTS	JAMAICA, NY	LONG ISLAND RR CO.
SBA0279	MAINTENANCE OF WAY	MEMPHIS, TN	MISSOURI PACIFIC RR
SBA0838	TEAMSTERS	NEW YORK, NY	PENN CENTRAL
SBA0884	UNITED TRANS. UNION	NEW YORK, NY	LONG ISLAND RR CO.
SBA0931	YARDMASTERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0951	SUPERVISERS/BRAC	NEW YORK, NY	METRO NORTH COMMUTER
SBA0950	MACHINISTS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0949	DISPATCHERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0939	SIGNALMEN	NEW YORK, NY	METRO NORTH COMMUTER
SBA0943	SHEET METAL WORKERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0938	UNITED TRANS UNION	NEW YORK, NY	METRO NORTH COMMUTER
SBA0945	BLRMAKERS-BLKSMITHS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0935	TRANSPORT WORKERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0960	UNITED TRANS UNION	NEW YORK, NY	METRO NORTH COMMUTER
SBA0974	UNITED TRANS UNION	NEW YORK, NY	METRO NORTH COMMUTER
SBA0934	ELECTRICAL WORKERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0980	UNITED FED OF POLICE	NEW YORK, NY	METRO NORTH COMM
SBA0959	ENGINEERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0970	UNITED TRANS. UNION	NEW YORK, NY	METRO NORTH COMMUTER
SBA0949	DISPATCHERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0998	TRANSPORT WKRS.UNION	NEW YORK, NY	METRO NORTH COMMUTER
SBA1001	AMER.RWY.SUPERVISORS	NEW YORK, NY	METRO-NORTH COMMUTER
SBA1010	TEAMSTERS	NEW YORK, NY	METRO-NORTH COMMUTER
SBA0944	FIREMEN & OILERS	NEW YORK, NY	METRO NORTH COMMUTER
SBA0948	CLERKS-TC	NEWARK, NJ	NJ TRANSIT RAIL

SBA0956	MAINTENANCE OF WAY	NEWARK, NJ	NJ TRANSIT RAIL
SBA0954	SIGNALMEN	NEWARK, NJ	NJ TRANSIT RAIL
SBA0940	ENGINEERS	NEWARK, NJ	NJ TRANSIT RAIL
SBA0985	ELECTRICAL WORKERS	NEWARK, NJ	NEW JERSEY TRANSI
SBA0991	POLICE BENE.ASSOC NJ	NEWARK, NJ	NEW JERSEY TRANS.RAI
SBA0964	CARMEN	NEWARK, NJ	NEW JERSEY TRANSIT
SBA0975	CLERKS	NEWARK, NJ	NEW JERSEY TRANSIT
SBA0992	TRAIN DISPATCHERS	NEWARK, NJ	NEW JERSEY TRANSIT
SBA0962	SHEET METAL WORKERS	NEWARK, NJ	NEW JERSEY TRANSIT
SBA0952	UNITED TRANS. UNION	NEWARK, NJ	NEW JERSEY TRANSIT
SBA1009	TCU	NEWARK, NJ	N.J.TRANSIT RAIL O
SBA1019	ARSA-TCU	NEWARK, NJ.	NJ TRANS RAIL OPERAT
SBA0893	SIGNALMEN	PEORIA, IL	TOLEDO, PEORIA & WES
SBA0910	UNITED TRANS. UNION	PHILADELHIA, PA	CONSOLIDATED RAIL
SBA1016	BMWE	PHILADELPHIA, PA	CONRAIL
SBA0837	SIGNALMEN	PHILADELPHIA, PA	PENN CENTRAL
SBA0880	RY LABOR EXEC ASSOC	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0854	RY EMPL DEPT	PHILADELPHIA, PA	PENN CENTRAL
SBA0928	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0856	UNITED TRANS UNION	PHILADELPHIA, PA	PENN CENTRAL
SBA0933	ENGINEERS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0909	UNITED TRANS. UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0966	SIGNALMEN	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0903	YARDMASTERS	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0901	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0957	MAINTENANCE OF WAY	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0958	CLERKS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0963	INTL. BRO. TEAMSTERS	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0961	TRANSPORT WORKERS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0960	UNITED TRANS UNION	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0978	RY LABOR EXEC ASSOC	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0976	MAINTENANCE OF WAY	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0973	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0979	CLERKS	PHILADELPHIA, PA	SEPTA
SBA0910	UNITED TRANS. UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0987	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0894	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0969	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0957	MAINTENANCE OF WAY	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0961	TWUA-BRC	PHILADELPHIA, PA	SEPTA
SBA0996	BRO. RR SIGNALMEN	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0901	MAINTENANCE OF WAY	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0997	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0933	ENGINEERS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0968	ELECTRICAL WORKERS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0928	BRO. LOCOMOTIVE ENG.	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA0981	UNITED TRANS.UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0909	UNITED TRANS. UNION	PHILADELPHIA, PA	CONSOLIDATED RAIL
SBA0966	SIGNALMEN	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0973	BRO.RY.AL&SS CLERKS	PHILADELPHIA, PA	NATL. RR PASS. CORP.
SBA1011	TCU	PHILADELPHIA, PA	CONRAIL
SBA1016	BMWE	PHILADELPHIA, PA	CONRAIL
SBA0958	CLERKS	PHILADELPHIA, PA	SE PENN TRANS AUTH
SBA0986	MAINTENANCE OF WAY	PHILADELPHIA, PA.	NATL. RR PASS. CORP.
SBA1005	MAINTENANCE OF WAY	PHILADELPHIA, PA.	NATL RR PASS. CORP
SBA1022	URSA	PHILADELPHIA, PA.	CONRAIL
SBA0830	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0846	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0847	CLERKS	ROANOKE, VA	NORFOLK & WESTERN
SBA0878	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0849	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0848	CLERKS	ROANOKE, VA	NORFOLK & WESTERN
SBA0869	DISPATCHERS	ROANOKE, VA	NORFOLK & WESTERN

SBA0920	CARMEN	ROANOKE, VA	NORFOLK & WESTERN
SBA0912	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0917	CARMEN	ROANOKE, VA	NORFOLK & WESTERN
SBA0916	UNITED TRANS UNION	ROANOKE, VA	NORFOLK & WESTERN
SBA0904	ENGINEERS	ROANOKE, VA	NORFOLK & WESTERN
SBA0982	CARMAN	ROANOKE, VA	NORFOLK & WESTERN
SBA0182	ENGINEERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
SBA0180	ENGINEERS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
SBA0018	UNITED TRANS UNION	SAN FRANCISCO, CA	SOUTHERN PACIFIC
SBA0899	SIGNALMEN	SAN FRANCISCO, CA	NATL RY LABOR CONF
SBA0965	CLERKS	SAN FRANCISCO, CA	SOUTHERN PACIFIC
SBA0993	UNITED TRANS. UNION	SAN FRANCISCO, CA	SOUTHERN PACIFIC
SBA0871	CLERKS	SPRINGFIELD, MO	ST LOUIS-SAN FRAN
SBA0922	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
SBA0919	UNITED TRANS UNION	ST. LOUIS, MO	NORFOLK & WESTERN
SBA0905	BRO. RWY. CARMEN	ST. PAUL, MN	BURLINGTON NORTHERN
SBA0918	UNITED TRANS. UNION	ST. PAUL, MN	BURLINGTON NORTHERN
SBA1015	TCU	STATEN ISLAND, NY	SIRTOA
SBA0100	UNITED TRANS. UNION	TYLER, TX	ST.LOUIS S.WESTERN
SBA0608	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	SOUTHERN RAILWAY
SBA0850	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0863	ENGINEERS	WASHINGTON, DC	NATL RY LABOR CONF
SBA0866	UNITED TRANS. UNION	WASHINGTON, DC	BURLINGTON NORTHERN
SBA0888	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0892	ENGINEERS	WASHINGTON, DC	NATL RY LABOR CONF
SBA0864	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0963	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0887	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0913	ENGINEERS	WASHINGTON, DC	NATL RY LABOR CONF
SBA0914	UNITED TRANS UNION	WASHINGTON, DC	NATL RY LABOR CONF
SBA0983	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	NATL. RR PASS. CORP.
SBA0857	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	SOUTHERN RAILWAY
SBA0994	AMTRAK SERV. WORKERS	WASHINGTON, DC	NATL. RR PASS. CORP.
SBA1000	BRO.RY.AL&SS CLERKS	WASHINGTON, DC	NATL.RR PASS. CORP.
SBA1020	AMTRAK SERV. WRK. C.	WASHINGTON, DC	AMTRAK

DURATION OF BOARDS

Question: Is there a limit on the length of time a Public Law Board or Special Board of Adjustment can be in existence?

Answer: No. This is entirely in the hands of the parties.

SEPARATE TREATMENT

Question: When the Railway Labor Act was originally enacted, there was great concern about the importance of maintaining interstate commerce in the event of a labor-management dispute in the railroad industry. Some 50 years ago, when the Act became law, most interstate commerce was accomplished via railroads. Today, there are many competing modes of transportation which presumably could handle the transportation of goods and people in the event of a railroad strike.

Do you think that reasons still exist to warrant separate treatment of the railroad and airline industries under the Railway Labor Act compared to all other industries under the National Labor Relations Act?

Answer: This is a complex question and merits a full and comprehensive answer. First, we do not agree there are "many competing modes of transportation which presumably could handle the transportation of goods in the event of a railroad strike".

Certainly, we have seen numerous examples of traditional rail shipments shifted to trucks. A good example is the U.S. mail. However, there are products essential to our economy that would not readily switch to a competing mode of transportation. In this connection I am thinking of the shipments of coal, grain and bulk chemicals.

Next, the Railway Labor Act (RLA) is the oldest labor-management statute and its emphasis on collective bargaining has proven effective in resolving disputes peaceably. Moreover, the two industries covered, railroads and airlines, have the two biggest proportions of union represented employees divided into numerous crafts and classifications. The instability in the health industry representation area following the changes made in the 1974 health care amendments to the National Labor Relations Act give only a glimpse of what may be expected if craft or class classifications were precipitously altered in the airline and railroad industries. This RLA has been tested time and again and under widely contrasting circumstances such as regulation and de-regulation and it has proven its worth as an effective law to govern labor-management relations in these industries.

Further, the National Mediation Board has established a measure of prestige and influence in these industries that merits special consideration. For instance, considerable interest recently in the section 160 emergency provision of the Railway Labor Act failed to take note of an important function of the Board that is not understood insofar as there is no specific statutory base for the function: the Board acts as a regulator of dispute progression; the Board determines which disputes may proceed to self-help and in effect avoids simultaneous dispute resolution which could cause emergency conditions. The industry participants understand and respect this role. Those outside the industry would be well advised to consider how this function could be handled by legislation or otherwise.

Despite the passage of time since the Railway Labor Act's enactment in 1926, the statutory scheme of the Railway Labor Act continues to provide an effective and necessary disputes resolution process for the airline and railroad industries. The 1981 Congress specifically recognized the sensitive nature of even essentially local railroad transportation concerning rail commuter service by the enactment of section 159A of the RLA, 45 U.S.C. §159a (Public Law 97-35). Further, recent legislative developments have identified railroad transportation activities as "essential" transportation service. For example, Public Law 100-429 (1988) provided that a local dispute between the Chicago and North Western Transportation Company and the United Transportation Union "threatens to interrupt essential transportation services of the United States." The subject legislation further provided such services were "essential to the national interest" and, therefore, that "emergency measures are essential to maintaining the security and continuity of transportation services provided by the Chicago and North Western Transportation Company." Similar legislation to

maintain continuity of railroad transportation services has been enacted in recent years. See, Public Law 100-380 (1988); (Public Law 99-431 (1986); and Public Law 99-385 (1986).

Fortunately, the National Mediation Board's stewardship of the Railway Labor Act's mediation process has produced peaceful settlements in over 98.5 percent of all mediation cases during the past ten years. Clearly, it is only in those instances where a settlement has not been achieved that the matter potentially becomes subject to congressional action. Absent the Railway Labor Act's effective dispute resolution mechanisms, both the public and the Congress likely would be confronted with the full degree of transportation disturbances characteristic of Western Europe. For example, except for the Railway Labor Act and absent voluntary settlements, pilot strikes could occur on major airlines - United, USAir, Delta and Northwest - which would lead to major disruptions in vacation and business travel. However, because the United States has been insulated from such adversity for over 50 years, it is easy to overlook the distinct advantages to industrial stability provided by the Railway Labor Act.

INFORMATION AUTOMATION

Question: What is the status of the Board's information automation efforts? In FY 1988, NMB planned to replace the rest of the present word processors with personal computers and to continue to upgrade the ADP system. What productivity gains have been accomplished?

Answer: The Board completed the replacement of all the old equipment with personal computers during FY 1988. Productivity gains achieved are an increase in performance; users have access to
automatic spread sheets and graphics; users can retrieve information from centralized databases; and users can retrieve desired reports.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF FORD B. FORD, CHAIRMAN

ACCOMPANIED BY:

RICHARD V. BACKLEY, COMMISSIONER

RICHARD L. BAKER, EXECUTIVE DIRECTOR

L. JOSEPH FERRARA, GENERAL COUNSEL

PAUL MERLIN, CHIEF ADMINISTRATIVE LAW JUDGE

INTRODUCTION OF ASSOCIATES

Mr. HALL. Next we will have the Federal Mine Safety and Health Review Commission. We are pleased to have the Federal Mine Safety and Health Review Commission with us today.

The Commission was established as an independent entity to adjudicate legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977.

If you would proceed with your oral statement, we will put your full statement in the record, and we appreciate your being here today.

Mr. FORD. Thank you very much, Mr. Hall. I would like to introduce my colleagues, if I may. To my far left is L. Joseph Ferrara, general counsel and to my immediate left is Commissioner Richard V. Backley, who has been with the Commission since its inception in 1978. To my immediate right is Richard L. Baker, the executive director, and on my far right is Paul Merlin, who is the chief administrative law judge.

As you suggested, I will submit my statement for the record and briefly summarize it.

Mr. Chairman and members of the committee, it is a pleasure to appear before the committee again to support the budget of the Federal Mine Safety and Health Review Commission in the amount of $4,005,000 for fiscal year 1990.

As you know, the budget as originally submitted by President Reagan in January is the vehicle that we are using with the understanding, of course, that there are negotiations going on with Congress at the present time on President Bush's budget plan. His budget plan includes a freeze at 1989 levels in the aggregate on a residual category of mainly discretionary domestic programs. The programs of the Commission are in the residual category pool.

As you mentioned, the Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate through administrative trial and appellate review legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977 among or between mine operators, the Department of Labor and miners.

The decisions of the administrative law judges, unless appealed to the Commission, become final in 40 days. All final orders of the Commission may be appealed to the appellate courts.

We are basically receiving and disposing in the neighborhood of 1,800 appeals each year at the administrative law judge level. At the Commission review level between 50 and 60 Commission decisions and orders are issued per year. Historically we stay fairly level.

We are anticipating a slight increase in appeals and the budget reflects that. We are asking for a reduction of $25,000. We feel our budget is sufficient to meet the Commission's mandate.

[The statement follows:]

STATEMENT OF FORD B. FORD

Mr. Chairman, it is a pleasure to appear before you and the Committee again and to answer questions about the Federal Mine Safety and Health Review Commission and its fiscal year 1990 budget request totaling $4,005,000.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category. The programs of the Federal Mine Safety and Health Review Commission are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals as if they were Bush proposals. I hope that the programs being discussed today will end up in the eventual compromise budget solution.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate through administrative trial and appellate review legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977 among or between mine operators, the Department of Labor, and miners.

The five-member Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on petitions for discretionary review, directing review sua sponte for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing decisions that affirm, modify or vacate administrative law judge decisions directed for review. If not considered for formal review, an administrative law judge decision becomes a final non-precedential order of the Commission. Appeals from final decisions of the Commission are to the U.S. Courts of Appeals.

In the activity of Administrative Law Judge Determinations, we expect to receive 1,860 new cases and dispose of 1,880 cases, leaving a case inventory at the end of fiscal year 1990 of 1,044. In fiscal year 1989, we anticipate the number of administrative law judge cases to total 1,824 and expect dispositions to total 1,848, leaving a case inventory of 1,064 at the end of the year.

During fiscal year 1988, 1,800 new cases were received and 1,744 cases were decided. Of these dispositions, 581 were disposed of prior to hearing by settlement approved by the administrative law judges, 924 were disposed of on motion or by stipulated record, and 239 were fully tried prior to decision. At the close of the year the pending caseload before the judges was 1,088.

At the Commission Review Level we expect to receive 58 new cases for formal review and dispose of 61 cases leaving an ending inventory of 31 cases for fiscal year 1990. In addition, the Commission will continue to review administrative law judge decisions. In fiscal year 1989, 55 new cases are anticipated and dispositions are expected to total 58 cases.

In fiscal year 1988 the Commission issued 41 substantive decisions and denied 11 petitions on review for a total case disposition of 52. The average age of the 41 substantive decisions in fiscal year 1988 was 9.5 months.

The Commission attempts to hold as many meetings as possible in open session and of the 27 meetings held in fiscal year 1988, 20 were open, 1 was closed and 6 were partially closed and partially open.

Thank you for the opportunity to present this statement. I would be pleased to respond to questions from you and members of the Committee.

CASE FILINGS

Mr. HALL. You mentioned your budget is formulated under the freeze policy. You have actually a small decrease in your budget request in 1990 below the 1989 level.

Mr. FORD. Yes, sir.

Mr. HALL. In testimony last year, the Commission indicated that upon receiving a notice of contest, cases are held unassigned until initial petitions and responses are received from both parties. Further you indicated that about 23 percent of the cases were defaulted or dismissed after the initial contest because of failure to respond to Commission orders to perfect those cases.

Does this 23-percent rate for defaulted or dismissed cases still hold true, and if so, does this imply to you that approximately one-quarter of the cases filed are frivolous in some sense?

Mr. FORD. Sir, we do not believe these cases are frivolous. There is a reduction in the number of anticipated defaults and dismissals for this year although there has been a large number disposed of in 1987 and 1988 in that manner. Once appealed, a number of the mine operators determine for some reason not to continue their case.

We make every effort, particularly on pro se mine operators and miners, to give them every opportunity to perfect their appeal. We don't feel the initial filings are frivolous in any respect. Appellants make a determination factually, economically or otherwise that they either don't want to go forward or they just don't take the time to perfect their filings.

TYPES OF CASES

Mr. HALL. According to the Department of Labor's 1990 budget justification, the average penalty for nonserious violations is approximately $20. Mr. Ford, as former Under Secretary of the Department of Labor and Assistant Secretary for Mine Safety and Health, you have firsthand experience in the unique problems associated with enforcement of our Nation's mine health and safety laws. That experience undoubtedly gives you valuable insight into some of the problems encountered in enforcement.

Having said that, have there been any changes in the type of cases that are coming to the Commission for review?

Mr. FORD. Cases are becoming more complex in many respects, but not particularly in the penalty size. They seek an interpretation of the act. Included in the number of the appeals, of course, are some citations that carry the $20 penalty, but that hasn't been the issue. The issue primarily surrounds the citation, the alleged violation, and the feelings of the operator and the Secretary.

AVERAGE PENALTY

Mr. HALL. What is the average penalty involved in cases coming to the Commission for review?

Mr. FORD. We do not keep records on individual citations so there is really no way to quickly evaluate that.

If I may add however, at the end of fiscal year 1987 there was $469,215 aggregate pending before the Commission ALJ's; at the end of fiscal year 1988 it was $896,000; and as of February 28, 1989, $942,000 is pending before the Commission judges. So, we are seeing an increase in the aggregate amount of the penalties. We know the Mine Safety and Health Administration is writing more citations, having increased from about 130,000 in the previous year to 155,000 last year and the same rate is anticipated for this year.

Mr. BACKLEY. Mr. Chairman, I would like to just add one thing to the record with regard to your question, if I may.

In my 10½ years on the Commission—that is as long as it has been in existence—I have never seen a case appealed solely on the penalty alone. That the penalty amount has never been a determining factor. It has always been the underlying violation or any attributes that may attach thereto. I don't know if that helps at all.

Mr. HALL. You mentioned the average size of the cases is increasing, though. Does that reflect any change in the type of cases that you are reviewing or stricter enforcement perhaps?

Mr. FORD. I don't think so. Whether it is the policy of the Mine Safety and Health Administration I just can't speculate at all. We are seeing increases in the penalties. Judge Merlin could perhaps speak from the administrative law judge standpoint.

Mr. MERLIN. In the new case filings, as the chairman pointed out, the penalty amounts that the Secretary seeks to assess are higher, and they have been on that kind of an incline for the past few years; especially in those cases that are specially assessed. They are not the $20 assessment type. The Secretary comes in using her regulations with the special assessment formula. We see a large number of those cases now, more so than in the past.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. HALL. Thank you very much. Unless there are any other comments any of you would like to make, we'll submit additional questions to you for the record, and we thank you for your appearance here today.

Mr. FORD. Thank you for your courtesy.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ALMINISTRATIVE LAW JUDGE CASELOAD

QUESTION: Your justification projects that 1,860 new cases will be filed in FY 1990, a slight increase over FY 1989. On what do you base your projections?

ANSWER: The Commission considers the enforcement activity of the Department of Labor's Mine Safety and Health Administration and historical trends in developing projections of new cases to be filed. Since the vast majority of cases involve the review of orders of withdrawal and citation (sections 105/107) and the assessment of civil penalty (section 110) the number of citations issued or assessed by MSHA is an important workload indicator. Since FY 1980, the percentage of ALJ cases received to citations assessed has ranged from a high of 1.97% to a low of 1.11% with the 10 year average being 1.32%. The Commission's budget estimate for FY 1990 of 1,860 new cases is based on 1.2% of the 155,000 citations estimated by MSHA to be assessed.

QUESTION: Of the 1,860 new cases you are projecting in FY 1990, how many cases are you projecting will go to actual hearing?

ANSWER: The Commission is projecting that 299 cases will go to actual hearing and will be decided in FY 1990.

QUESTION: Your budget justification indicates that there are 22 FTEs associated with Administrative Law Judge determination. Please provide a list, by function, of Administrative Law Judges and support staff on board.

ANSWER: A listing by function of Administrative Law Judges and support staff on board is as follows:

Function	Position Title	FTE
Chief Judge's Office	Administrative Law Judge	1
	Attorney	1
	Secretary	1
Falls Church Office	Administrative Law Judge	7
	Secretaries	7
	Docket Clerk	1

One administrative law judge and one secretarial position in the Falls Church office are vacant

Denver Office	Administrative Law Judge	3
	Secretary	2

QUESTION: In FY 1988, the OALJ received 1,800 cases, and disposed of 1,744. Of those 1,744, 239 cases required evidentiary hearings. What role does the ALJ play in those cases that do not require a hearing?

ANSWER: Under section 110(k) of the Act no proposed penalty which has been contested before the Commission shall be compromised, mitigated, or settled except with the approval of the Commission. Therefore, an ALJ's participation in a case is dependent on how far the case has advanced. For example, cases that are defaulted or dismissed after only the initial notice of contest is filed are in an early stage and are usually reviewed and handled by the Commission's Chief Judge's office.

Once the initial filings from both parties are received, the case is assigned to a judge in rotation pursuant to the Commission's rules. After being assigned a case the judge makes a detailed review of the issues involved. In bringing a case to conclusion the judge, among other things, will have discussions with the parties to narrow and decide the issues involved, issue orders, and rule on settlements and other motions brought by the parties in an attempt to bring the case to a conclusion.

QUESTION: What is the role of the ALJ in those cases where settlement is reached prior to hearing (please be specific)?

ANSWER: Commission judges have a substantial role in cases involving settlement proposals. Under section 110(k) of the Act no case can be settled except with the approval of the Commission. This means that the ALJ is an active particpant in the settlement process. It is not enough that the parties themselves agree on a settlement under the Act. The judge who, under the Act, acts as guarantor of the public interest, has the final say on whether the settlement may be approved. In determining the propriety of a proposed settlement the judge is guided by specific statutory criteria laid down by the Act for determining penalty assessments.

QUESTION: What is the average age of cases pending on your hearing docket?

ANSWER: The average age of a case pending on the ALJ's docket is 127 days from date of assignment. Case disposition records indicate that 68 percent of cases are disposed of within 180 days from assignment, 86 percent within 240 days from assignment, and 96 percent within one year of assignment.

QUESTION: How long does it take after a hearing to issue a decision?

ANSWER: The Commission considers receipt of the post-hearing brief as part of the hearing process and maintains its records accordingly. For fiscal year 1989 through February 28, 81% of the decisions (after hearing) were issued within 60 days of receipt of the post-hearing brief and 94% of the decisions were issued within a 90 day time frame.

FTES

QUESTION: The budget requests $2,330,000 for Commission review to support 33 FTEs. Would you please provide, for the record, a listing of the 33 FTEs by position.

ANSWER: A listing by position of the 33 FTEs allocated to the Commission Review activity is as follows:

Position Title	FTE
Commissioners	5
Counsel to the Commissioner	5
Secretary to Commissioner	5
Executive Director	1
General Counsel	1
Attorneys	6
Secretaries	2
Librarian	1
Docket Clerks	3
Administrative Officer	1
Voucher Examiners	2
Receptionist	1

TRAVEL COSTS

QUESTION: The Commission has requested $82,000 in travel costs. Does the Commission use a travel agency under contract to the federal government in making its travel arrangements? If not, why not?

ANSWER: The Commission does not use a travel agency under contract to the federal government in making its travel arrangements. The Commission is located in three separate geographic locations: Washington, D.C., Falls Church, Virginia, and Denver, Colorado. Until recently, all offices were housed in non-federal buildings making coordination with other federal agencies impractical. In comparison to larger agencies, our volume of travel at a particular location is low, lessening our attractiveness to private travel agencies. We are, however, willing to explore the use of a travel agency independently or through the use of a cross-service agreement with another federal agency.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF E. ROSS BUCKLEY, CHAIRMAN

ACCOMPANIED BY:

LARRY A. HOSS, DIRECTOR, ADMINISTRATIVE SERVICES AND BUDGET OFFICER

PAUL A. TENNEY, CHIEF ADMINISTRATIVE LAW JUDGE

LINDA AREY, COMMISSIONER

PREPARED STATEMENT

Mr. HALL. Next we will hear from the Occupational Safety and Health Review Commission.

The Commission is comprised of three members appointed by the President and confirmed by the Senate. The Commission was established under the Occupational Safety and Health Act of 1970 to hear and dispose of disputes between the Occupational Safety and Health Administration and employers charged with violation of safety and health standards.

Mr. Buckley, if you would summarize your remarks, we will put your full statement in the record.

Senator Harkin [presiding]. OSHA, welcome. Again, we will make your statement a part of the record. Just please summarize it, if you could.

[The statement follows:]

STATEMENT OF E. ROSS BUCKLEY

Mr. Chairman, I am honored and privileged to again appear before you and your committee to present for your consideration the fiscal year 1990 appropriation request for the Occupational Safety and Health Review Commission.

The amount that the Review Commission is requesting for fiscal year 1990 is $5,970,000. This request represents an increase of $125,000 above the appropriated amount for fiscal year 1989, and will enable the Commission to finance 85 FTE during fiscal year 1990. As a result of continuing Commissioner and associated staff vacancies during fiscal year 1989, the Review Commission is expected to average approximately 80 FTE.

The Occupational Safety and Health Review Commission is an independent administrative judicial agency established under the Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.). Its sole purpose and program is to assure the just and expeditious disposition of disputes between OSHA (an agency of the Department of Labor) and employers charged with violations of safety and health standards established by OSHA.

Adjudication of such disputes is accomplished at the first level by proceedings before the Commission's Administrative Law Judges. A case which cannot be concluded by amicable settlement, or decided upon motion, is heard by an Administrative Law Judge in an administrative trial under the Commission's Rules of Procedure and in accordance with hearing procedures of the Administrative Procedure Act. The decision of the ALJ in the case is subject to review by the Commission which is composed of three Commissioners (appointed by the President and confirmed by the Senate) upon a direction for review made by any one Commissioner. Once directed for review, the case is decided by the three Commissioners sitting as a collegial body. The cases are usually decided on the basis of briefs filed by the par-

ties, although oral argument may be ordered. The Act requires a quorum of two Commissioners for any official action, and a concurrence of two Commissioners for the final disposition of the case. Unless a case is directed for review within 30 days, the ALJ's decision becomes by operation of the law the final decision of the Commission.

The primary thrust of the Review Commission's program is the first level adjudication of cases by the Commission's corps of administrative law judges. The review of cases by the Commissioners is essentially to assure consistency and uniformity in the adjudicatory process, to provide precedents in novel circumstances or in the application of new OSHA standards, and where appropriate, to provide new directions, as guides to the administrative law judges.

From April of 1987 to November of 1988 (a period of 18 months) two vacancies existed at the Commissioner level. As a result no quorum existed, and no official decisions at the review level were possible. Nevertheless, the adjudication of cases by administrative law judges has continued effectively; the Commission continued to exercise its primary role.

In November, President Reagan made a recess appointment, thus providing the Commission with an effective quorum. Since then, the Commission has issued 6 decisions, and has commenced the process of disposing of cases remanded from Circuit Courts of Appeals, and attacking the backlog of cases which had increased from 37 cases in April, 1987, to 77 cases at the close of fiscal year 1988.

The Commission has 18 administrative law judges; two, including the Chief Judge, in the National Office, and 16 judges in four regional offices: Atlanta, Boston, Dallas, and Denver. In June, 1987 California ended State regulation of safety and health, returning that function to OSHA. We had anticipated the possible establishment of a fifth regional office in California, depending on the outcome of a proposition which appeared on the California ballot in the November election, intended to resolve the question whether work-place safety and health should be regulated by a State Plan or by Federal OSHA. The Review Commission's budget for fiscal year 1989 included financing for the eventuality of a California regional office. During fiscal year 1988, cases arising in California were handled with existing resources; although approximately 10 percent of our caseload in 1988 arose in California, less than 3 percent of California cases have required hearings. Since the proposition was adopted, and returned regulation of workplace safety and health to the State, we do not intend to establish a regional office in California, but will continue to handle cases there with our existing resources until the current case-load has dissipated.

During fiscal years 1987 and 1988, substantial innovations were effected in the Commission's procedures, case handling, and staffing, aimed at increasing the effectiveness of the adjudicatory processes of the Commission. Rules of Procedure were revised; assignment of cases to our ALJ's was advanced almost 60 days; attorney-advisors serving as law clerks were added to the regional offices; new combination word processors/personal computers, tied into the National Office's central case-tracking computer, were provided.

The results of these innovations have proven effective and cost-efficient. Although the advancement of case assignment, coupled with an unanticipated increase in contests, did create an initial increase in caseload on the judges, the Commission was able to maintain relative parity; 2,746 new cases were filed in 1988, as compared to 1,888 cases in fiscal year 1987—an increase of 45 percent. Offsetting that, our judges concluded 2,279 cases, either by hearing or settlement, an increase of 27 percent over 1987. The number of cases settled, or otherwise concluded without a hearing, rose from 89.4 percent in fiscal year 1987 to 94 percent in fiscal year 1988. As we continue in fiscal year 1989 to increase efficiency and productivity, we anticipate a more expeditious determination of contests.

During 1988 we suffered from a lack of a quorum at the review level. While efforts were made to limit directions for review to those cases in which workers were not exposed to ongoing hazards, and which warranted Commission review because they presented novel issues, the backlog of cases necessarily grew. Nevertheless, we anticipate that within the first several months of a full Commission, we can dispose of at least 30 to 40 cases, cutting our backlog over one-half in that time.

Our administrative offices have also undergone changes in fiscal year 1987–88. We added an Administrative Officer to give assistance to the Director of Administrative Services, who is also our Budget Officer; we created a central records system, with the help of the National Archives, and added a records archivist, in order to cut down on the number of duplicative files and files maintenance, and to provide a workable files management schedule; we added to the Office of Executive Secretary a computer analyst to assist in our case tracking management, and to provide assistance in the use of new personal computer technology. In 1988 we added personal

computers for the attorneys and the staffs of the national and regional offices. Innovative uses of personal computers have already been developed by several of our attorneys which will prove time-saving in the review of transcripts of hearings and evidentiary material, expediting the decisional process at the hearing level in the regional offices, as well as at the review level.

Training programs have been most effective, not only in improving skills of our personnel in their primary tasks, but also in additional assignments which devolve on our employees, which, in a small agency, necessarily require our staff to wear, in effect, two hats: such as E.E.O.C. officers, guidance, and training officers. We continue to provide details for our attorneys to the U.S. Attorney's Office for the District of Columbia as Special Assistants, thus offering them enhanced trial experience and greater insight into the difficulties and ramifications of the trial process, and experiencing the benefit to the Commission of a broader understanding of the trial process. We are exploring the possibility of detailing our new regional attorney advisors to equivalent loan programs.

Since 1981, the number of authorized personnel for the Review Commission has decreased from 171 to 90, a reduction of 47 percent. The amount of rental space decreased from 63,907 square feet to 31,474 square feet, a reduction of 51 percent. The annual appropriation has been reduced from $7,860,000 in 1981 to $5,885,000 for fiscal year 1988; a reduction of 25 percent. These reductions comply with the Administration's direction to reduce costs where possible, as well as reflecting the decrease in numbers of new cases docketed: 3,739 cases in 1981, 1888 cases in 1987; a decline of 49.5 percent.

In 1988, however, we have noted a significant increase in the number of new cases. Not all of the increase can be attributed to the OSHA presence in California, for the contest rate (the percentage of inspections resulting in contests) abruptly increased from 3.07 percent in 1987 to 4.87 percent in 1988, suggesting that more OSHA citations are being contested nationwide.

As a result we anticipate more hearings in both fiscal year 1989 and 1990, and a need to augment staffing in the regional offices. Rather than add more judges, we propose to afford existing judges more time for holding hearings by adding law clerks to assist them in the drafting of decisions and in other routine matters. Proceeding cautiously, we propose to add two law clerks in 1990, and project two more in 1991.

The budget which we herewith submit is practical. It will permit us to continue the effective and cost-efficient performance of the Commission's statutory mandate, and to renew our commitment to a fair and prompt adjudication of safety and health cases.

This concludes my statement. With me are members of my staff to answer any questions you may have.

COMMISSION FUNCTION

Mr. BUCKLEY. I will do that.

We are asking for a budget of $5,970,000 this year which constitutes about a 2.1 percent increase over fiscal year 1989 and provides for an FTE ceiling of 88 and an average FTE of 85.

The Commission's function is to adjudicate disputes between OSHA and the employers who have been cited for violations of health and safety standards promulgated by OSHA. Cases are handled at the hearing level by administrative law judges of the Commission, and they become final unless one of the Commission members directs it for review, in which case the three commissioners, if there are three, sitting as a collegial body will decide the case and render a final decision. Those decisions are appealable to the circuit courts of appeals.

CASELOAD

The Commission received during 1988 approximately 2,852 cases. Approximately 93 percent of those are settled prior to going to hearing. The remainder of the cases are heard at a regular trial

following the procedures of the Commission, as well as the procedures of the Administrative Procedures Act.

We are anticipating because of increases in the number of cases that are being contested that presently for 1989 there will be a significantly larger number of cases than we had anticipated and that perhaps that will also indicate an increase in the number of total cases in 1990. I don't know for a fact.

Senator HARKIN. Let me get something clear. You said there were 2,852 new cases filed in 1988. Now, that is not appeals cases to you, is it?

Mr. BUCKLEY. No; well, that is to the Commission as a whole.

Senator HARKIN. That's with OSHA.

Mr. BUCKLEY. No.

Senator HARKIN. No?

Mr. BUCKLEY. OSHA is one of the parties to the litigation before us. OSHA conducts inspections, issues citations and then on the basis of those citations, the employers may or may not file notices of contest. If they do, those cases come to the Commission and eventually are assigned to an administrative law judge for a determination either by settlement or hearing.

Senator HARKIN. So, those cases are the ones that were filed with you.

Mr. BUCKLEY. That's correct.

Senator HARKIN. So, 2,852 new cases. Now, that is up from 1988 in fiscal year 1987. That is a big increase.

Mr. BUCKLEY. A substantial increase, Mr. Chairman, approximately 47 percent. We have been able to handle that with our existing resources. We are experiencing some increase over and above what we had anticipated for 1989 and what we will now anticipate for 1990, and it may be that I will have to add another administrative law judge and some more staffing in order to take care of that increase.

COMMISSION STAFFING

Senator HARKIN. How many personnel do you have total?

Mr. BUCKLEY. We have a total of 72 at the present time. We have 18 administrative law judges who handle the cases at the hearing level.

Senator HARKIN. Where are they located?

Mr. BUCKLEY. They are located in Boston, Atlanta, Dallas, and Denver, four judges in each regional office, and the chief judge and deputy chief judge, who also act as hearing judges, are here in Washington, DC.

CONTEST PROCEDURES

Senator HARKIN. When OSHA files a citation, let's say the employer doesn't agree with that. So, they file a case and appeal to you.

Mr. BUCKLEY. They file what is called a notice of contest that they are contesting the citation.

Senator HARKIN. To you.

Mr. BUCKLEY. No; they file that with OSHA, but OSHA is required to send that filing to the Commission, to us.

Senator HARKIN. Then what is your next decision step? What do you do?

Mr. BUCKLEY. The next step is for the Secretary of Labor, through the Solicitor of Labor, to file a complaint setting out in detail the nature of the allegations which are related to the citation items. And then after that, the employee has an opportunity to file an answer in which he sets out why he disagrees on an item-by-item basis with those allegations. At that point, the matter is either settled, if it is going to be settled, or set for a hearing before an administrative law judge who has been assigned to that particular case.

Senator HARKIN. And based upon that decision, the employer can appeal to a circuit court.

Mr. BUCKLEY. Based on that decision, he or the Secretary, depending on the nature of the decision, can file a petition for review to the Commission sitting as a review body.

Senator HARKIN. I see from the administrative law judge to the Commission as a review body.

Mr. BUCKLEY. That's right.

Now, that petition is discretionary so that it doesn't follow that because he files that petition that he will be heard by the Review Commission. Any one commissioner of the three can direct the case for review. If it is directed for review, then we go through the process of analyzing the evidence and the law related to the case and render a decision at the review level. Then at that point, the aggrieved party has the right to appeal to the circuit court of appeals.

Senator HARKIN. I just wanted to get that all down straight.

Did you have anything else you wanted to bring to my attention here now?

Mr. BUCKLEY. Well, I would like to particulary introduce our newest Commissioner, Commissioner Linda Arey, who is sitting on my far left. She was appointed in November, giving us for the first time in 18 months a quorum. On my near left is Judge Paul Tenney, the chief judge of the Commission, and on my right, Larry Hoss, the Director of Administrative Services and Budget Officer for the Commission.

I have no other statement to make, Mr. Chairman. I would be happy to answer any questions you may have.

COMMISSION MEMBER QUORUM

Senator HARKIN. I just had one questions that concerns the backlog of cases and the lack of a quorum.

I understand that as of March 1, the Commission had 81 cases pending with an average age of 628 days.

Mr. BUCKLEY. That's correct.

Senator HARKIN. Of course, now you do have a quorum.

Mr. BUCKLEY. That's correct.

Senator HARKIN. But your term I understand expires April 27 of this year.

Mr. BUCKLEY. April 27 of this year.

Senator HARKIN. And Commissioner Arey, your nomination was sent to the Senate in January.

Ms. AREY. Yes.

Senator HARKIN. Has that been acted on yet?

Ms. AREY. No, Senator.

Senator HARKIN. Are you able to sit even though it hasn't been acted on?

Ms. AREY. Yes, Senator.

Senator HARKIN. Mr. Buckley, have you had any discussions with the administration on what will happen to this Commission without a quorum?

Mr. BUCKLEY. Well, we went through a period without a quorum in 1985 for 5 months, and now we have gone through another period of a little over 18 months, from April 27, 1987, until Commissioner Arey's appointment in November without a quorum. I think the administration is aware of the significance of a lack of a quorum. I have not heard anything with regard to any other nominations being sent up. I have no idea.

Senator HARKIN. Well, I would hope that we make sure that something happens here.

How long is a term?

Mr. BUCKLEY. The term is 6 years, Mr. Chairman.

Senator HARKIN. Is this your first term?

Mr. BUCKLEY. I'm completing my first term, yes.

Senator HARKIN. Are you going to stay on?

Mr. BUCKLEY. I would like to, yes.

Senator HARKIN. I would like you to too.

Mr. BUCKLEY. Well, thank you very much.

Senator HARKIN. I hope that they pay attention to the fact that your term is up on April 27. I assume maybe under the law that you can continue on. I don't know. No? I see heads shaking.

Mr. BUCKLEY. No.

Senator HARKIN. Can't do it?

Mr. BUCKLEY. No; the term expires on April 27, and I have to walk out of the door on that day.

Senator HARKIN. Would you please tell them to get something up here in a hurry then?

Mr. BUCKLEY. Well, I am planning to call the White House this afternoon to try to make an appointment for Monday to talk to someone over there, if not Mr. Untermeyer, who is the Director of White House personnel, one of his assistants who perhaps handles labor matters or commission matters and see if I can get some sort of a handle on what is happening.

Senator HARKIN. I think we should send them a letter also and just tell them that we are concerned about this. We will send a letter and we will tell them we see this date coming up. You have been without a quorum before. The backlog just increases. If you go without another quorum again for some period of time, the backlog will just increase again.

Mr. BUCKLEY. I would appreciate that.

Let me mention that at the time the last Commissioner left in April 1987, we were down to a backlog of 31 cases which was almost current. And I had anticipated by the end of fiscal year 1987 that we would be at a current level where we were getting cases into the review level and out again within 6 to 8 months. That, of course, increased now to a level of 81.

Since Commissioner Arey is now with us, we have disposed of I think it is either 12 or 13 cases, and I am informed by my general counsel that we will probably be able to dispose of another 20 to 25 cases between now and April 27.

So, the backlog, while it is too high and, therefore, deprives parties of due process sitting around waiting for a final decision to be made, we can get to the point where we are providing the basic review service which we should be providing if we get a quorum and keep it.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you very much, Mr. Buckley. Thank you all very much for being here.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Commission Case Backlog — OSHRC

QUESTION: It is my understanding that as of March 1, the Commission had 81 cases pending, with an average age of 628 days. If the Commission does not have a quorum, the backlog will only grow. Mr. Buckley, your term expires on April 27 of this year. And, Commissioner Arey, your nomination was sent to the Senate in January. Mr. Buckley, have you had any discussions with the Administration on what will happen to this Commission without a quorum?

ANSWER: On March 14, I had a conference with the Associate Director for Presidential Personnel in charge of labor personnel, and informed her of the serious situation this Commission might well face on April 27 if it is without a quorum, based on the Commission's experience during the period April 28, 1987, to November of 1988. She informed me that in a meeting with the Director on Friday (March 17), she would bring the matter to his attention.

QUESTION: The Commission has been operating without a quorum since April 27, 1987. In spite of this fact, you indicate that you have been able to maintain a workable backlog by exercising restraint in the selection of cases to review. Is that another way of saying that you are not reviewing cases that you normally would review because you haven't had a quorum?

ANSWER: The Commission was without a quorum from April 27, 1987, until the approximate middle of November of 1988, when the President made a recess appointment to Linda Arey. Commissioner Arey and I have, since then, had a quorum, and have disposed of approximately 12 to 13 cases. During the interim that the Commission had no quorum, I did exercise restraint in the designation of cases for review. There were a number of cases which I would have directed for review had we had a quorum.

However, I did not refrain from directing cases for review solely for the purpose of keeping the case backlog down. The Occupational Safety and Health Act provides that employers are not required to correct allegedly violative conditions until a final order of the Commission is issued. This means that if a Commissioner directs a judge's decision to be reviewed by the full Commission, there is no abatement obligation until the full Commission renders its

decision. If a case is not directed for review, the judge's decision becomes a final order of the Commission in 30 days after its filing. A final order of the Commission, regardless of whether it is an unreviewed judge's decision or a decision of the full Commission, can be appealed to the court of appeals.

Because of these features of the law, I found it necessary during the period in which the Commission had no quorum to weigh two new factors in addition to the other factors I considered in determining whether to direct a case for review. The first factor was that potentially hazardous conditions would remain uncorrected for a period of uncertain length if I directed the case for review. I did not know when the Commission might be able to act again. The second factor was that the cost of obtaining relief for an employer is greatly increased if the employer cannot obtain it before the Commission and must pursue it in the court of appeals. I attempted to balance these additional considerations in each case where full Commission review was sought. Undoubtedly, cases that I otherwise would have directed for review were allowed to become final orders. See, e.g., my attached opinion in Union Oil Co., Docket No. 85-111.

I wish to note also that although the number of cases on review before the full Commission is still manageable in terms of Commission staffing, the backlog is comprised of a large percentage of old and difficult cases. Many of these were old cases the Commission was attempting to resolve when our quorum dissolved on April 27, 1987.

Commissioner's Staff — OSHRC/R

QUESTION: It is my understanding that each Commissioner's office has its own staff. What has the staff been doing during the time period when there were vacancies in the Commissioner's positions?

ANSWER: Each Commissioner has a staff of one attorney as Legal Advisor, and one secretary. The Chairman has a staff of one attorney as Chief Legal Advisor, one staff attorney, a confidential assistant, and one secretary. Because of attrition during the period that the two Commissioner positions were vacant, I was able to reassign all of the remaining staff employees to positions in other offices of the Commission. My Chief Legal Advisor resigned to take a position in another Department, and my Confidential Assistant retired. Neither of those two positions has been filled to date. Upon Commissioner Arey's accession, an attorney and secretary have been reassigned to her office. The staff positions of the third Commissioner office remain vacant.

Office of Administrative Law Judges (OALJ) OSHRC/R

QUESTION: How many Administrative Law Judges do you currently have on board? How many attorneys, law clerks, and clerical personnel are assigned to the Office of Administrative Law Judges.

ANSWER: The staff composition at the present time in the Office of the Chief Administrative Law Judge for FY '89 breaks down as follows:

Position Title	FTE	INCUMBERED
Administrative Law Judges	18	18
Attorneys	5	5
Clerical*	10	10

* However, upon an in-depth time-in-motion study and on-site visits to four of our five offices where ALJ's are employed, we have concluded that the addition of one Clerk/Typist assigned to each of the five offices will greatly improve the movement of paperwork involved with the increased caseload. Also, the addition of a third ALJ in our National office will provide us the human resources necessary to keep abreast of the number of cases.

OALJ Cases OSHRC/R

QUESTION: There are currently 1,347 cases pending before the Office of Administrative Law Judges. What is the average age of a case pending before the Office of Administrative Law Judges?

ANSWER: The average age of a case pending before an Administrative Law Judge from the latest available statistics is 110.0 days. This includes cases awaiting assignment to a judge, as well as cases that have been assigned and are proceeding to settlement or a decision on the merits.

QUESTION: I note that your justification indicates that about 93 percent of new cases filed are settled prior to a hearing. What role does an Administrative Law Judge play in the disposition of these cases through settlement?

ANSWER: At the outset, it should be noted that not all cases disposed of without hearing are dispositions by settlement. Some cases are decided by motion such as a motion to dismiss or a motion for summary order (judgment). As to the role of an Administrative Law Judge in the disposition of a case by settlement, in

most cases settlements occur only after the completion of some discovery and the scheduling of a case for hearing. This means that the judges' role is an active one during prehearing. The judge, however, would not normally participate in the settlement discussions, unless in a particular case he is acting as a settlement judge under what amounts to an arbitration procedure pursuant to 29 C.F.R. 2200.101.

QUESTION: Are some of the new cases dropped prior to hearing due to a lack of response on the part of the party that contested an OSHA decision? How many in cases fell into this category in FY 1988, FY 1989, estimates for FY 1990.

ANSWER: There are some cases that are dismissed when abandoned by a contesting party. However, the cases are statistically insignificant. No separate category of information is collected concerning them.

QUESTION: I assume that most of these cases involve some sort of monetary penalty. Could you give me an idea of the amounts and types of penalties we are talking about here?

ANSWER: Yes, most cases involve a monetary penalty that is assessed by the Administrative Law Judge at the time his decision becomes final. These civil penalties are prescribed by Public Law 91-596 that provides in part;

(a) Any employer who willfully or repeatedly, violates the requirements of Section 5 of the Act, any standard, rule, or order promulgated pursuant to Section 6 of the Act, or regulation prescribed pursuant to the Act, may be assessed a civil penalty of not more than $10,000.00 for each violation.

(b) Citations for serious violations shall be assessed a civil penalty of up to $1,000.00 for each such violation. (c) Citations deemed not to be of a serious nature may be assessed a civil penalty of up to $1,000.00, or of any regulations prescribed pursuant to the Act, shall be assessed a civil penalty of up to $1,000.00 for each such violation.

(d) Any employer who fails to correct a violation for which a citation has been issued within the period permitted for its correction, may be assessed a civil penalty of not more than $1,000.00 for each day during which such failure or violation continues.

(e) Willful violations that cause death to any employee shall, upon conviction, be punished by a fine of not more than $10,000.00 or by imprisonment for not more than six months, or both; except that if the conviction is for a violation committed after a first

conviction of such person, punishment shall be by a fine of not more than $20,000.00 or imprisonment for not more than one year. or by both.

And, lastly, whoever knowingly makes any false statement, representation or certification in any application, record, report, plan, or other document filed or required to be maintained pursuant to the Act shall, upon conviction, be punished by a fine of not more than $10,000.00, or by imprisonment for not more than six months, or by both.

A recent review of the cases before the Commission reveals that most involve penalties averaging between $2,000. to $3,000. Some cases, however, involve very large penalties. Since January 1, 1988, 27 cases have been received in which proposed penalties exceeded $100,000. Two cases having the highest proposed penalties were received by the Commission within the past two years. In 1987, the Bath Iron Works case had a proposed penalty of $4,175,940. while in 1988, the Commission received the John Morrell Co. case in which a proposed penalty of over $4,000,000. is still pending.

New Administrative Law Judge — OSHRC/R

QUESTION: In FY 1989, you requested funding to bring on board another administrative law judge. Did you fill that position?

ANSWER: At the present time, the Commission has a request pending with the Office of Personnel Management pursuant to its authority under 5 U.S.C. 5108 for establishing the maximum number of positions for grade levels GS-16 and higher. Once authority for an additional position is received from OPM, we will immediately set about the selection process and fill the ALJ position in our National office.

Travel — OSHRC/R

QUESTION: Is the Commission making use of a travel agency under contract to the federal government for its transportation needs?

ANSWER: The Commission is unable to make use of a contract travel agency because of the uncertainties and changes that occur in connection with travel related to the hearing of cases by our Administrative Law Judges. This accounts for the majority of our travel costs.

However, all travel is conducted using government contract carriers for transportation as much as possible, using government issued credit cards for airfares. All federal travel regulations governing travel by Commission personnel are strictly adhered to and enforced.

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF JAMES M. STEPHENS, CHAIRMAN

ACCOMPANIED BY:

LEE D. VINCENT, COMPTROLLER
ROSEMARY COLLYER, GENERAL COUNSEL
JOHN C. TRUESDALE, EXECUTIVE SECRETARY
MELVIN J. WELLES, CHIEF ADMINISTRATIVE LAW JUDGE

PREPARED STATEMENT

Senator HARKIN. Next we will have the National Labor Relations Board.

The Board has responsibility of investigating and issuing decisions on complaints made by employees or employers on union organizations. The Board also has the authority to conduct elections by secret ballot.

We are most pleased to have Mr. James Stephens, the chairman of the Board with us this morning. Mr. Stephens, we will put your full statement in the record. Again, I would like you to provide a brief oral summary of your statement and also to introduce for me and for the record the members who are with you.

[The statement follows:]

STATEMENT OF JAMES M. STEPHENS

Mr. Chairman and distinguished Members of the Subcommittee: I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to discuss the Agency's budget request for fiscal year 1990. In accordance with normal procedure, the Agency has already submitted to you a detailed fiscal year 1990 Justification. In my testimony today I would like to touch briefly on some of the highlights of the Justification statement and make a few additional comments as well.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category.

As the National Labor Relations Board's budget falls within that residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposal as if it were the Bush proposal. The proposal before you was developed by this Agency, of course, and we hope it will be included in the eventual budget solution.

The fiscal year 1990 budget now before you requests an appropriation of $140,111,000 compared to the 1989 appropriation of $136,983,000.

The Budget request before you for 1990 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1990; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on

targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1990 will increase by about 2.8 percent, while staff will decrease by less than 1 percent and funds increase by 2.3 percent. Our budget request embodies our fundamental objective of responding appropriately to every case on our docket in each year. With the combination of a moderate degree of staff attrition and an increase in case intake, we will be in a position to handle our cases on a timely basis and show higher productivity rates throughout the case handling pipeline.

The total 1990 cost increase from 1989 is $3,128,000. The increased funding would meet normal operating expense requirements and employment expenses that are not completely offset by our expected level of attrition and productivity achievement.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. She will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1988 our Administrative Law Judges closed 700 hearings, issued 621 decisions and obtained 581 settlements, 343 in person and another 238 by means of conference calls. Along with a recent decline in case intake a significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because settlements eventually save the Agency a great deal in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process and subsequent consideration by the Board and the Courts of Appeals. The cost effects of fluctuations in the settlement rate, of course, do not all occur in the same fiscal year, but depend on when the cases would move through subsequent stages of disposition. Since fiscal year 1987 the NLRB has loaned its Administrative Law Judges to other agencies on a reimbursable basis. We estimate that in fiscal year 1989 and fiscal year 1990 these services will be provided to the Comptroller of the Currency, FDIC, Department of Education, Department of Interior, and Department of Justice as well as the Social Security Administration. The NLRB remains the primary source of judges when any agency requests OPM for a loan.

MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the task of deciding 750 contested unfair labor practice cases in 1989 and 788 in 1990. In 1988, the Board decided 713 unfair labor practice cases and 282 contested representation cases. Present estimates call for the Board to decide 323 contested representation cases in 1989 and 345 in 1990.

The Board has for the third year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all time high of 1,628 unfair labor practice and representation cases in February, 1984. At the end of January 1989 the backlog had declined to 622 cases, a drop of 1,006 cases or 61.8 percent. We have achieved this reduction without increasing the number of staff attorneys assigned to each Board Member and despite various funding reductions mandated by deficit reduction goals. While some of the backlog reduction can be attributed to a drop in case intake, the reduction continued in 1988 without the details of employees from offices of the General Counsel that we had used in the preceding years. The budget for 1990 anticipates that the Board will continue to reduce the number of cases awaiting its decision.

There has been an increase in recent years in the number of representation matters coming to the Board for decision, and I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on several hundred other appeals and request for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is an essential contribution to an efficient United States economy. It is my intention to

assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

INTRODUCTION OF ASSOCIATES

Mr. STEPHENS. Thank you very much, Mr. Chairman.

Let me begin by introducing my colleagues. On my far left is Mr. Lee Vincent. He is our Comptroller at the agency. On my immediate left is Mrs. Rosemary Collyer. She is the general counsel of the agency. She was nominated by the President and confirmed by the Senate. And on my immediate right is Mr. John Truesdale, who is our Executive Secretary at the Board, and on his right is Judge Mel Welles, who is our chief administrative law judge.

As the chairman indicated, we have submitted our justification and our hearing testimony for the record. I will be very brief.

BUDGET REQUEST

This year for fiscal year 1990, we are requesting an appropriation of $140 million. That compares to the 1989 appropriation of $136.9 million.

The appropriation request is developed through a very complex analysis of factors which we have indicated in my testimony. Chiefly it is geared to our projected case intake at the Board. And our documents indicate, we are projecting an intake in fiscal year 1990 of roughly 33,000 charges and 8,400 representation petitions for a total of about 41,400 cases.

And I think, Mr. Chairman, that in essence summarizes our request and the basis for it. I would like to yield at this time to our general counsel, Mrs. Collyer, to say a few things about the general counsel's operations.

STATEMENT OF ROSEMARY M. COLLYER

Ms. COLLYER. Thank you very much, Mr. Chairman. It is an honor to be here to present to you the budget for the National Labor Relations Board for fiscal year 1990.

The general counsel of the Board is the prosecutor under the statute and supervises the Board's regional, subregional, and resident offices across the country. The Board operates as an adjudicative body on appeal from administrative law judge decisions, similar to the Occupational Safety and Health Review Commission from which you just received testimony.

Therefore, the general counsel supervises the people in the field who actually investigate cases and try to reach the merits of whether or not complaints should issue and then to settle those cases that are deemed meritorious, in which unfair labor practices may have been committed.

I commend to you the people of this agency. They are very hardworking. They are dedicated. They are underpaid and underappreciated. The NLRB over its 53½ year history has provided a tremendous service to this country, has saved immense problems, labor-management disputes, and the impact that those disputes can have on commerce in this country.

This is my last year as general counsel—my term is about to end—and my last opportunity to appear before this subcommittee. And I wish to thank you and thank your predecessors through you for their support and assistance over the last 4 years during my term as general counsel. Thank you, and I stand ready to answer any questions that you might want to direct about the general counsel's operation.

[The statement follows:]

STATEMENT OF ROSEMARY M. COLLYER

Mr. Chairman and distinguished Members of the Subcommittee: Once again it is my pleasure to appear before you as General Counsel of the National Labor Relations Board to discuss this Agency's budget request for fiscal year 1990.

The 1990 Budget now before you is the one submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for several special initiatives.

At the same time, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for these purposes. The budget plan, which has several aspects, includes a freeze at 1989 levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is beginning negotiations with Congress on the budget plan as a whole, including this residual freeze category.

As the National Labor Relations Board's budget falls within that residual category, pending the outcome of negotiations with Congress, we are treating the Reagan budget proposal as if it were the Bush proposal. The proposal before you was developed by this Agency, of course, and we hope it will be included in the eventual budget solution.

The fiscal year 1990 budget now before you requests $140,111,000, an increase of $3,128,000 over the 1989 total funding of $136,983,000. Of the increase $1,098,000 will be for mandated increases, primarily in payroll and benefits. The NLRB's 1990 request will support all normal Agency casehandling operations. The budget estimates the Agency will process, in 1990, 33,000 unfair labor practice cases and 8,400 representation petitions: a total case increase of about 2.8 percent over 1989. The total 1990 staff request for the Agency is for 2,304 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for fiscal year 1990". I would like to take this opportunity to review in greater detail the responsibilities of the office of the General Counsel, highlight our accomplishments in fiscal year 1988, and talk about the outlook for fiscal years 1989 and 1990.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority, on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe * * *."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of 33 regional offices. It is those Regional Offices that receive unfair labor practice charges, investigate them, determine merit and then, as to those cases deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions, determine appropriate bargaining units for employee representation, conduct elections, resolve allegations of objectionable election conduct and certify election results. Additionally, the General Counsel pursues enforcement of Board decisions by litigation in the U.S. Circuit Courts of Appeals and the Supreme Court.

The Agency has little control over its case intake. It must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed in one of the Agency's 33 regional offices, 2 sub-regional offices or 17 resident offices, the charge begins to move through what can be de-

scribed as a casehandling "pipeline". The newly filed charge is first investigated by a Board Agent. Non-meritorious cases are withdrawn or dismissed. If the case is found to be meritorious, the parties are encouraged to settle without further action. Absent settlement, an unfair labor practice complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeals. After enforcement of a Board order, we must obtain compliance with that order, be it backpay, return of illegal fines, reinstatement to jobs or whatever. Compliance efforts can spawn a separate "pipeline" of litigation. Of course, at any point in the process the parties may reach a settlement which, if approved, obviates the need for further proceedings.

Each unfair labor practice charge brought before the Agency must be resolved. However, the further a case proceeds along the Agency's casehandling "pipeline", the greater are our resource needs. So that available resources are providently employed, we have identified four major objectives which we believe are critically important to our goal of processing cases in an effective and efficient manner. First, we carefully screen out clearly nonmeritorious cases, second, we continue to emphasize our settlement programs which are designed to maintain the NLRB's traditionally high settlement rate; third, we continue to develop more efficient means of case-handling in order to process quickly and fairly the maximum number of cases; and, fourth, we stress achievement of these objectives in tandem with a commitment to maintaining and improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention at this early, prefiling stage assures that we can screen out many no-merit charges, thus conserving Agency resources which would otherwise be expended in investigating non-meritorious charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, whether or not they should file a charge and, as appropriate, the identities and locations of other Federal or State agencies to which they might be referred for assistance. The effectiveness of this program is demonstrated by the fact that during fiscal year 1988 this Agency's field offices handled 208,941 such contacts from employees, unions and employers, of which only 10,788 or 5.2 percent resulted in the filing of an unfair labor practice charge. (Approximately 20,398 additional charges were filed directly during fiscal year 1988.)

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of the staff of the Office of the General Counsel. Administrative Law Judges will also aid the parties in an effort to reach a proper settlement. Even in the highly simplified description of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation before the Board and in the courts and eventually into compliance, the drain on Agency resources becomes increasingly severe. In fact, a decrease of 1 percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than $1 million by the time all of the additional work generated by fully litigating such cases is completed.

Our third challenge is the ongoing necessity, consistent with our traditional standards of high quality, to quickly process the maximum number of cases within our budget constraints. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and equally important, we are committed to maintaining quality casehandling and providing effective remedial action in Agency proceedings. This is accomplished by means of an extensive Quality Review program and careful attention to the training of our professional and support staffs.

ACCOMPLISHMENTS IN FISCAL YEAR 1988

The record of the Office of the General Counsel in 1988 reflects the careful attention given to our responsibilities under the NLRA and to our obligation to conserve public funds. Both the Washington and field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These offices are staffed by hard working and dedicated public servants and it is their commitment, together with the assistance of this Committee in the budget process, that has made this fine record possible.

The NLRB's level of service is reflected in these 1988 operating achievements:

Case Intake.—The Regional Offices accepted and commenced the processing of 39,225 total cases. The 31,373 unfair labor practice cases filed represent a decrease of 2.1 percent from those filed in fiscal year 1987. There were 7,307 representation cases filed, an increase of 4.5 percent from 1987.

Unfair Labor Practice Case Dispositions.—Of the unfair labor practice charges filed, 35.2 percent were found to have merit, compared to the 33.6 percent in 1987. The settlement rate was 91.1 percent, down from the 92.7 percent achieved in 1987. A total of 3,019 complaints were issued in a median of 45 days, the same as in 1987. The Agency closed approximately 7 percent less than the number of cases received.

Litigation Results.—The General Counsel won 79.8 percent of Board and Administrative Law Judge decisions in whole or in part in fiscal year 1988, a decrease from the 82.8 percent litigation rate in fiscal year 1987.

Representation Case Performance.—The Regional Offices conducted approximately 4,132 initial elections of which 83.4 percent were pursuant to agreement of the parties; in 1987, the corresponding figures were 4,069 elections and 83 percent election agreements. Regional Directors issued 854 decisions in contested representation cases after hearing in a median time of 43 days, compared to the 905 decisions which issued in a median time of 43 days in 1987. There were 1,155 initial representation and union deauthorization hearings in 1988, compared to 1,206 in 1987.

Productivity.—In 1988 productivity continued to be affected by the decline in case intake over the last years, which has occurred at a greater rate than staff attrition. We have also suffered from the loss of numbers of experienced Agency personnel to the salaries of the private sector and a disproportionate number of new untrained staff members in certain areas. Productivity is budgeted to increase in 1989 and 1990.

Injunction Activity.—We continued to utilize Section 10(j) of the Act effectively: during fiscal year 1988, the Regional Offices submitted 166 Section 10(j) injunction cases to the Division of Advice compared to 155 cases in 1987. The Board authorized 10(j) injunction petitions in 44 cases in 1988 compared to 37 in 1987. The Regional Offices filed 49 petitions for Section 10(l) injunctions in the U.S. District Courts. In 1987, 68 such petitions were filed.

Appellate Litigation.—In fiscal year 1988, 166 cases were decided by the United States Courts of Appeals compared with 199 in fiscal year 1987. Of those decided in fiscal year 1988, 81.3 percent were won in whole or in part, compared to 87.4 percent in fiscal year 1987; 4.8 percent were remanded entirely compared to 7 percent in fiscal year 1987; and 13.9 percent were total losses compared with 5.6 percent in fiscal year 1987.

These are but a few of the achievements this past year. I am particularly proud of our ability to provide quality service to the public at a time of great losses of experienced staff and large numbers of new staff members, which has challenged Agency managers daily.

It should be noted that during the past several years we have experienced a significant increase in the number of cases requiring complicated efforts to achieve compliance with Board orders and court judgments enforcing those orders. Approximately 70 percent of these cases involve issues of alleged inability to pay or to comply with the remedies ordered by the Board and the courts, often requiring extensive financial analysis and negotiation, as well as too frequent searches for respondents who have physically moved and re-named themselves to avoid compliance. Approximately 60 percent of all pending compliance cases involve situations where bankruptcy proceedings have been filed by the respondent. The number of compliance cases involving bankruptcy issues has more than doubled since 1978. Since enforcement of the Act ultimately comes down to complying with Board and/or court orders, we must commit additional staff to this facet of our work. Otherwise, the Agency is reduced to a "toothless paper tiger", winning legal victories without real-life consequences and completely voiding the intent of Congress.

Overall, the NLRB's impact on commerce has been considerable. In the last few years, we have been successful in ending unlawful work actions that closed entire ports; stopping secondary activity that threatened to involve an entire network of banks and a large insurance conglomerate in disputes not their own; and enjoining employers seeking to shut down operations and move in order to avoid a union organizing campaign. This latter action saved jobs in several small communities. This record, together with the very favorable comments of practitioners across the country about the quality of the service they receive, reflects the truly outstanding commitment of the Regional and Washington staffs.

OUTLOOK FOR FISCAL YEAR 1989

In 1989, the offices under the General Counsel continue to operate effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources. We expect to process all anticipated new cases and pending cases on a current basis. Productivity increases are expected in almost every area of casehandling.

OUTLOOK FOR FISCAL YEAR 1990

If the 2.8 percent increase in workload estimated for 1990 is reached, the Office of the General Counsel will face the challenge of providing current casehandling while effecting a decrease of six staff years through attrition. While critically important elements of our casehandling, e.g. the settlement rate, are not totally within our control, I am confident that, with the dedication and hard work of our employees and with the thoughtful direction of our managers and supervisors, we will meet our goals.

The fiscal year 1990 Agency employment request is expected to be sufficient to process all of the cases that we estimate will be filed.

CONCLUSION

The National Labor Relations Board is about to complete its 54th year. From the foregoing review of the performance of the Office of the General Counsel, it is clear that we have entered our second half century with a healthy, productive and committed organization. I am very proud to be associated with the traditions that have made the headquarters and field operations of the Office of General Counsel such a fine example of effective public service.

In closing I wish to thank the Committee for the opportunity to appear before it and for your continued support during my term of office.

BOARD CASE PROCESSING TIME

Senator HARKIN. Thank you very much, Ms. Collyer.

How long have you been there?

Ms. COLLYER. I have been general counsel since October 1984.

Senator HARKIN. Mr. Stephens, I don't know a great deal about the National Labor Relations Board.

I have to tell you that I have consistently over the last few years heard complaints about the lack of expeditious handling of cases. I still hear about some. In fiscal year 1988, the median time that elapsed between the filing of an unfair practice case and a Board decision was 771 days. This median time is the longest time required in any year since 1976.

I would like to know why it takes so long, and can we expect processing time required for these cases to be reduced, or are we going to have greater and greater delays in the future?

Mr. STEPHENS. Mr. Chairman, I think I can say with confidence that the processing time will be reduced because since February 1984, the Board has continued on an ongoing basis to reduce the backlog.

The Board unfortunately—and I will be the first to concede the point—ran into some real difficulties in the early 1980's. There was a period of tremendous turnover in the membership at the Board, and there were times when we were at less than full strength. I think probably the scholars who look at the Board and eventually write the history of the Board will find that it was a time of difficulty. The members, with the change in overall philosophical perspective of the Board, experienced substantial difficulty in reaching consensus on decisions.

Senator HARKIN. What year was that?

Mr. STEPHENS. Excuse me?

PHILOSOPHICAL SHIFT

Senator HARKIN. You said there was a change in the philosophy or something like that.

Mr. STEPHENS. Well, I think that if you look at the Board since 1982 or 1983, the practitioners and scholars will say there has been a philosophical shift at the Board. I suspect they would say that it has moved more toward a middle ground. And in the process, I think the Board encountered difficulty reaching consensus on difficult issues.

And the problem, of course, was that it lead to an inordinate lapse of time in the decision of cases. It became very critical by early 1984 when our backlog reached in excess of 1,600 cases. That is in contrast to the historic average over the last 50 years of somewhere between, I'd say, 400 and 600 cases. That is considered an acceptable docket of cases at the Board.

Since early 1984, that number has come down substantially. Since I have become chairman in January 1988, I am happy to report we have continued that downward trend, and as a matter of fact, this last month, I think our number of pending C cases, unfair labor practice cases, is down to around 467. The number of representation cases, or election cases, is in the neighborhood of 120, 122 cases which, combined with the ULP cases, is just slightly under 600. So, we are within the ballpark, and I am confident in the manner in which we are disposing of cases now, assuming we can keep a full five-member Board, that we will continue to make great strides.

OLDER CASES

Now, I would add that I think that we still have too many cases that are older cases that are more than 2 or 3 years old, and we are making special efforts to deal with those. I think if you look over the last year, you will find that we have disposed of a great number of those cases. I have given those priority at the Board, and the Board members have been meeting regularly to deal with these cases, and I am just confident that what was admitted a terrible problem 5 years ago is behind us and that we can look forward to a greater efficiency and a speedier disposition of cases.

Senator HARKIN. How old is your oldest case?

Mr. STEPHENS. How old is the oldest case at this point?

Senator HARKIN. Yes.

Mr. STEPHENS. Nineteen eighty-two I am advised.

Senator HARKIN. Why can't you reach a decision on that one?

Mr. STEPHENS. I am not familiar with the particulars.

Senator HARKIN. I am just wondering why something would drag on that long. Why can't you just——

Mr. STEPHENS. Well, I think the problem is that, to show you the relationship between the turnover and the age of a case, when a case comes in, it is usually assigned to a three-member panel. The full Board does not consider every single case. It will be delegated to a three-member panel. And during the period in 1982 when that case would have come to the Board, from 1982 on, you saw on

almost an annual basis a departure of a member and a delay in the arrival of a new member. There was a period when we were down to just three members. And as a member leaves the Board, a new member has to be assigned to the case. It again has to be reviewed and a decision, of course, written.

If the members come and go, the votes can change. And if it is a difficult issue, difficult issue of statutory interpretation or a very long and complicated record, the Board doesn't stay still long enough for the votes to be taken, a decision to be written, a consensus worked out, and the matter issued.

There is also a potential problem that that case might have been one which involved an issue that the Board wanted to revisit in another case and that case could, therefore, have been put on hold, so to speak, until the lead case involving the comparable issue was finally issued. And then the Board would turn its attention to these older cases. That did happen in a large number of cases in the early 1980's.

But, again, I can say that we are no longer faced with that situation. We do not ice cases, as the term was frequently used. We try to dispose of our cases as they are coming in now as quickly as we can.

Senator HARKIN. You came in 1984. Right?

Mr. STEPHENS. I came in November 1985.

Senator HARKIN. November 1985.

Mr. STEPHENS. And that was on the heels, may I add, of the arrival of two other members: Member Johansen, who is still on the Board, and Member Babson, who was appointed in the summer of 1985. His term normally would have expired in December of this year, 1989. However, he found the need to return to private practice, and he did that in August of this last year, 1988.

MC CULLUM CASES

Senator HARKIN. In many of these cases where these cases drag on, I think it can be said that justice delayed is justice denied. I have a case here that I wanted to bring up. The NLRB took several years to settle the case of Sam McCullum. Do you know that case?

Mr. STEPHENS. I'm very familiar with that case.

Senator HARKIN. The wide receiver cut by the Seattle Sea Hawks because of his union activities. By the time the NLRB ruled in his favor, his football career was over.

If I understand it, he filed his case in September 1982. The administrative law judge ruled on the case in November 1983. Mr. McCullum appealed to the NLRB which finally settled the case last month in February 1989, almost 6 years later—well, 5½ years later. He is now too old to play football.

Why did it take so long? Why did that take so long? Five and one-half years.

Mr. STEPHENS. Well, Mr. Chairman, as I indicated to the House Subcommittee on Manpower and Housing last summer, which focused on this identical case, I am the first to concede that it took too long to dispose of that case. And I regret that very much. I feel as much responsible as the rest of the Board members.

I indicated to Chairman Lantos last summer that I didn't think it was appropriate for me to get into the particular details as to the steps that the case went through and why the case took so long because in my view, the time involved in disposing of the case was impacted by the merits of the case, and the fact that because then it was still a case under consideration, I didn't think I could really fully be candid and frank with the committee without talking about the merits of the case which, of course, would be inappropriate before the case is actually decided.

Circumstances, of course, have changed. We have issued the decision, but I do quite honestly feel under some constraint still because, as the committee knows, a majority of the Board, the panel—it was a 2 to 1 vote—found in favor of Mr. McCullum, found a violation. And under our statute, we do not have self-enforcing orders. And that means that in order to obtain compliance against the employer in this case, the matter might have to be reviewed by the court of appeals.

At this point, we are not sure whether or not there will be compliance by the employer. And so, we face the prospect, because this is still a live case, that the matter will go under court review, and the Board will look to the general counsel to argue on the Board's behalf before the court of appeals. And I think that if I started talking about the merits of this case and explaining how that impacted on the time it took, that we might put in some jeopardy our ability to enforce that decision.

Senator HARKIN. Do you agree, Mr. Stephens, that the length of time that these cases take to get disposed of might discourage people from ever filing or bringing a case to the NLRB?

Mr. STEPHENS. I think that that is something that might very well be the case. And perhaps that explains----

Senator HARKIN. That is not your intention——

Mr. STEPHENS. Oh, absolutely not.

Senator HARKIN [continuing]. To discourage people from filing.

Mr. STEPHENS. I'm sorry?

Senator HARKIN. It is not your intention, is it, to discourage people from filing.

Mr. STEPHENS. Absolutely not. Absolutely not, it's not our intention at all.

Senator HARKIN. Do you need more money? Do you need more people? What do you need to hurry this thing up? What do you have now as a backlog?

Mr. STEPHENS. Our backlog of C cases is, I believe as of the beginning of this month, 467 cases which is comparable to the pending backlog in December 1979. Obviously, we have hit bottom in the early 1980's, and we are now back well within the mainstream of the Board's historical experience.

Senator HARKIN. What is the average length of time?

Mr. STEPHENS. Average length of time to dispose of cases? Let me yield to my executive secretary.

Mr. TRUESDALE. In fiscal year 1988, the median time from judge's decision, or other document initiating Board action, to Board decision was 266 days. It's about 8 months. That includes time for filing. The time given to the parties for filing exceptions, exten-

sions of time, briefs, in support of exceptions, answering briefs and so forth are included in that amount of time.

DISPOSITION OF CASES

Ms. COLLYER. Excuse me, Mr. Chairman. May I clarify the record also? It is important because you haven't dealt with the NLRB before that perhaps I add something to the record here.

We expect to receive in 1989 approximately 33,000 charges of unfair labor practices against employers or unions. We dispose of those cases in the field in a very timely basis. Last year about 35 percent of the charges filed were found to have merit. Of those that were found to have merit, 35 percent of about 33,000 cases, we settled over 91 percent of them, getting a remedy from the respondent, whether it was an employer or a union, without the need for full litigation. Only about 2 percent of our cases actually need to be litigated through the administrative law judges to the Board, so that the backlog that you are concerned about, and the Board is very cognizant of, is only at the appellate level.

In the field, we investigate a charge and make a decision on a median basis of 30 days. We issue the complaint in a median basis of 45 days, and we go to hearing in a median basis of approximately 3 months from the time the charge was filed. So, in fact, the bulk, the huge bulk, of our caseload is handled in a very timely basis, and we are able to obtain through settlement or litigation the remedies the charging parties need.

Mr. STEPHENS. And let me add to that, Mr. Chairman, to relate it to my earlier comment.

I think that from a perception standpoint, cases like the Sam McCullum case are the rare exception. However, when they become the subject of congressional hearings, when the public's attention is focused on cases like that, I think there is some risk that the perception develops that the McCullum case is the typical kind of case at the Board. And if there does develop that perception in the labor-management community, the point that you suggested that perhaps parties might be somewhat discouraged from seeking relief from the Board may be somewhat of a reality.

However, I think, as the general counsel's comments indicate, that for people who are familiar with the Board, they know as a matter of reality the agency is one of the most efficient agencies in the Government. The vast, vast majority of cases are disposed of in a timely way. And I think it is a little unfortunate that there is a misperception about the overall performance of the agency even though I will concede that we do have these problem cases.

Senator HARKIN. That was good information. I appreciate it very much.

If there is nothing else, thank you for being here.

Mr. STEPHENS. Thank you very much, Mr. Chairman. We appreciate it.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you, Mr. Stephens. Thank you, Ms. Collyer.

We will have some additional questions which we will submit to you for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Case Processing Time/Delays

Question. Can we expect processing time required for these cases to be reduced or will greater and greater delays continue to be the norm?

Answer. The processing time will be sharply reduced as continued progress is made in reducing the former backlog to an acceptable caseload.

Before expanding on this answer, it is helpful to note how small in context is the number of cases experiencing unusual delay. In Fiscal 1988, 31,186 C (unfair labor practice) cases and 7,918 R (representation) cases were filed. All of these cases were promptly investigated by the regional offices under the supervision of the independent NLRB General Counsel. Ninety-five percent of these cases were withdrawn, dismissed or settled in a median time of 42 days. If formal proceedings were necessary, complaint was issued in a median time of 45 days. Eight hundred forty-four cases actually went to hearing before an administrative law judge. Of those cases, about one-third were closed on the basis of compliance with the judge's decision. The Board also received about 250 other kinds of contested C cases (motions for summary judgement, stipulations of facts, etc.). The net result was that the Board received 884 contested C cases for decision in Fiscal 1988, a little over 2% of the charges filed.

The Board issued decisions in Fiscal 1988 in a median time of 266 days from the judge's decision (or other document initiating Board action) to the Board's decision. In those cases, the overall time from filing of charge to issuance of Board decision was, as you state, 771 median days.

Because of high turnover of Board membership during the years 1979 through 1988,[1] a very large pending caseload built up because the absence of a stable Board membership made it very difficult to maintain an even flow of cases. The peak backlog was reached on February 1, 1984, when there were 1,647 cases (1,296 C and 351 R) pending before the Board. As of April 1, 1989, that number had been reduced to 574 (458 C cases and 116 R cases). Because the Board focused on issuing the oldest cases, the median age of cases issued was necessarily higher than usual.

---

1 From December 1979 to December 1988, 17 different persons have served as Members of the Board. The period covered is 109 months, in which there were only 3 Members during 17 months, only 4 Members during 50 months and a full 5-Member Board for only 42 months.

The Board has considered that an appropriate pending caseload is from 400 to 600 C and R cases. As noted, the number is now 574. The Board fully expects that it will be able very soon to reduce the median time taken to issue its decisions.

Question. How old is your current oldest case? How much progress is the Board making in eliminating these extremely old cases?

Answer. The oldest case now pending before the Board was received by the Board and assigned on February 26, 1982. It is one of three cases assigned in 1982. Of the 458 C cases before the Board, only 90 are more than 2 years old. The Board is now and has been focusing on these oldest cases to get them issued. For example, on July 1, 1987, there were 300 cases more than two years old. As noted, today that number has been reduced to 90.

Question. What protection do employees have while awaiting a decision by the Board?

Answer. It is an unfair labor practice for an employer to discriminate against employees, by discharge or otherwise, because of their union activity or because they filed a charge against their employer. Employees who believe they are the subject of such discrimination should contact their local regional office of the National Labor Relations Board. Also, in aggravated cases, the Board authorizes the General Counsel to seek injunctive relief under Section 10(j) of the Act, so that employees may be reinstated while waiting for the Board's decision.

Decline in Numbers of Cases Filed

Question. Why, in your opinion, are fewer unfair labor practice charges being filed with the Board?

Answer. A number of factors may explain the decline in unfair labor practice (ULP) intake. Our experience has been that the number of ULP cases is closely related to the intake of representation (R) cases (i.e. - it is more likely that charges will be filed during an organizing campaign). In FY 1988 there were about 7,300 representation cases filed, compared with the high point of 15,115 filed in FY 1977. For whatever reasons, there has been less organizing in recent years. However, recent figures suggest that R case filings are on the rise. Thus during the first four months of FY 89, the Agency received a total of 2,522 R cases, compared with 2,239 during the same period the year before, or a 12.6% increase. During this same period there was a very slight increase in C case situations, with the increase being more apparent in January and February. If the upswing in R cases

continues, the Agency may likely also see increasing numbers of ULP case filings.

A number of factors may explain the recent increase in R cases. The volume of filings depends in great degree upon the priority that unions place upon organizing. Now that the presidential election is over, we suspect that the unions are in a better position to devote time and resources to this activity.

Question. Do you believe delays in processing time are having a chilling effect on the filing of unfair labor practice charges?

Answer. There is no basis for a conclusion that our decline in case intake results from case processing delays. Indeed, as earlier noted, our overall case processing time continues to be quite good. However, fundamental changes in the economy of the United States and the uncertainties associated with those changes are much more likely bases for reduced union activity and reduced cases at the Board. We have each year disposed of -- through settlement of meritorious charges and dismissal of non-meritorious charges -- more than 90% of our ULP caseload within 45 days of filing. Our settlement rate for meritorious charges has been well over 85%. The Board has now reduced its pending caseload to its lowest level in recent years. As a result, cases reaching the Board now are timely decided.

Elimination of Non-meritorious Cases

Question. How do you ensure that meritorious cases are not being excluded? (Last year, the information officer program received 208,941 inquiries, but only 10,788 formal filings resulted.)

Answer. The Agency recognizes the critical role played by the information officers in our regional offices in answering questions by members of the public who seek information regarding employment-related concerns and, where appropriate, assisting them in filing charges and petitions with the Agency. Because of the vital importance of this first critical contact with the Agency, it is the policy in each of the regional offices to require that the professional employees, both attorneys and field examiners, assigned to Information Officer duty have at least one year of experience with the Agency before being allowed to serve in that capacity. Information Officers are expected to not only be versed in the NLRA, but also to be familiar enough with other labor-related laws, both state and federal, to appropriately direct an individual to the proper agency if the individual's inquiry does not fall within the purview of the NLRA.

We wish to emphasize that the Agency's policy is only to discourage clearly non-meritorious charges. If the Information Officer has any doubts about the issues raised by inquiry or uncertainty about the type of referral to make, he/she is instructed to consult with a supervisor or higher management. In this regard, while the Agency's policy is to discourage the filing of non-meritorious charges, any charge, whether meritorious or not, will be accepted and processed by the regional office if the individual insists upon filing it.

ALJ's and Offsetting Collections from Federal Funds

Question. I note that your justification again provides $300,000 from offsetting collections from federal funds. Is this your loan program for Administrative Law Judges?

Answer. Yes, the $300,000 represents our expected reimbursement for ALJ's loaned to other agencies.

Question. How many FTE's are associated with this loan program?

Answer. Approximately four FTE's.

Question. How many ALJ's do you currently have on board?

Answer. There are presently 89 ALJ's on board; however, one has indicated that he will soon retire.

Question. In view of the fact that your case load has declined, what steps are you taking to reduce the numbers of ALJ's?

Answer. The number of ALJ's has decreased from a high of 117 in 1981 to the 89 now on board. We anticipate four more retirements during the current fiscal year. There will be 38 ALJ's eligible to retire during FY 1990, none of whom has as yet indicated any retirement plans. The Board has not taken any steps to reduce the number of ALJ's, deeming attrition and the loan program sufficient to keep pace with our current caseload. To reduce staff by a reduction in force would, under OPM regulations, necessarily result in losing younger judges, not eligible for retirement, and would mean recruiting new judges to meet our needs as those judges eligible for retirement did so.

ALJ Hearings

Question. Once an ALJ has heard a case, what is the time lapse between the hearing and the issuance of a formal decision?

Answer. During FY 1988 the median time elapsed in issuing the 621 ALJ decisions was 126 days.

Question. How many hearings are these ALJ's expected to hear in FY 1990?

Answer. Our ALJ's are expected to hear about 752 cases in FY 1990. It is expected that Administrative Law Judges will issue 764 decisions.

Question. How many decisions are projected for the Board in the FY 1990.

Answer. The Board is expected to issue approximately 788 ULP decisions in FY 1990. This would enable the Board to remain current with its caseload.

Travel

Question. Do you make use of a travel agency that is under contract with the federal government in making travel arrangements?

Answer. Yes. We use Ask Mr. Foster, which was selected from the GSA schedule. We use them because they provide a centralized focal point for all Washington travelers to conveniently call for all their official travel arrangements, such as common carrier, hotels, and car rentals. The service provides a computerized profile on each individual traveler which is comprised of the Agency name and identification code as well as the employee's name and any specific personal data that the employee wants to maintain in his or her file, i.,e. most convenient airport, seating preference, smoking or non-smoking etc.

Additionally, the Agency makes use of a special Diners Club "ghost" account number from which all Agency charges are billed monthly. This cuts down on the administrative workload in verifying charges and allocating travel costs for reporting purposes. We are assured that the most economic rates for government travel are being used. We have been very pleased with the overall service provided, and our employees are very satisfied.

Furniture and Equipment

Question. I note that you have requested $800,000 for furniture and equipment. Would you please detail what this $800,000 is to purchase.

Answer. The estimated budget of $800,000 will be used to replace old and unrepairable furniture and equipment. This includes telephone equipment, safety equipment, office equipment such as calculators and typewriters, and office furniture. This is estimated

to cost approximately $300,000. The remaining $500,000 will be used to purchase computer equipment and related software which will be used primarily as word processors. The computer hardware will be PCs and printers added to the local area networks which we have begun installing. We hope to add the electronic transmission of time and attendance data as well as legal research capabilities. This will buy about 125 workstations.

ADDITIONAL SUBMITTED MATERIAL

[CLERK'S NOTE.—The following additional material was submitted for insertion in the record:]

STATEMENT OF ROBERT J. MYERS, CHAIRMAN, COMMISSION ON RAILROAD RETIREMENT REFORM

Mr. Chairman and members of the subcommittee, I am pleased to appear before you in my capacity as the Chairman of the Commission on Railroad Retirement Reform. I served in various actuarial capacities with the Social Security Administration and its predecessor agencies during 1934-70, being Chief Actuary for the last 23 of those years. In 1981-82, I was Deputy Commissioner of Social Security and in 1982-83, I was Executive Director of the National Commission on Social Security Reform.

Although created on December 22, 1987, by Public Law 100-203, the Commission did not become effective until October 1, 1988, when a $988,000 appropriation was provided. Our law has since been amended by revising the due date of our final report to the President and to the Congress to be October 1, 1990, with the Commission terminating on December 1, 1990. We will need no additional funding.

The Commision has a mandate to conduct a study of the issues pertaining to the long-term financing of the Railroad Retirement system and to the system's short-term and long-term solvency. The Commission is to submit a report which will include recommendations for revisions in, or alternatives to, the current system to assure the provision of retirement, disability, and survivor benefits to former, present, and future railroad employees, on an actuarially sound basis. We are charged to take into account the possibility of restructuring the financing of benefits; to assess the ability of the current system to pay benefits; and to analyze the relationship of the current system to the Railroad Unemployment Insurance system, the Social Security program, and the General Fund of the Treasury. In drafting the Commission's legislation, the Senate Committee on Finance and the House Committee on Ways and Means have asked the Commission to perform unbiased professional in-depth analysis of some very serious questions. Speaking for the members of the Commission, we are prepared to meet the challenge. I will be glad to attempt to answer any questions that you may have.

PROFESSIONAL BIOGRAPHICAL DATA

ROBERT J. MYERS

Degrees

B.S., Engineering Physics, Lehigh University, 1933
M.S., Actuarial Mathematics, University of Iowa, 1934
LL.D., Muhlenberg College, 1964
LL.D., Lehigh University, 1970

Academic Experience

Research Assistant, University of Iowa, 1933-34
Instructor, American University, 1943-45
Professor of Actuarial Science, Temple University, 1970-79
Professor of Insurance, Howard University, 1981
Lecturer in Actuarial Science, University of Connecticut, 1973-81

Professional Experience

Various actuarial positions with U.S. Social Security Administration, 1934-70 (Chief Actuary, 1947-70); Deputy Commissioner of Social Security, 1981-82
Actuary, U.S. Railroad Retirement Board, 1935-36
Member, National Commission on Social Security, 1978-81
Executive Director, National Commission on Social Security Reform, 1982-83
Chairman, Railroad Unemployment Compensation Committee, 1983-85
Actuarial consultant to various Congressional Committees and to Federal Judiciary, 1949-80 and 1983-
Consultant, General Accounting Office, 1984-86
Member, Commission on Railroad Retirement Reform, 1988-

Member, Reagan Transition Team, 1980

Missions of technical assistance in connection with Social Security or pension programs in Barbados, Bermuda, Bolivia, Cameroun, Colombia, Cyprus, Dominican Republic, Ethiopia, Greece, Grenada, Honduras, India, Iran, Israel, Japan, Jordan, Kenya, Liberia, Malaysia, Namibia, New Calendonia, Nicaragua, Nigeria, Panama, Peru, Puerto Rico, Saudi Arabia, Surinam, Tanzania, Ryukyu Islands, Trust Territory of the Pacific Islands, Venezuela, Vietnam (South), and West Germany

Missions to study Social Security systems of Great Britain, Greece, Lebanon, New Zealand, Philippines, Soviet Union, Sri Lanka, Sweden, Turkey, and United Arab Republic

Consultant on Social Security to William M. Mercer Meidinger Hansen, Inc.; National Association of Life Underwriters; American Association of Retired Persons

Enrolled Actuary, Employee Retirement Income Security Act

Professional Relations with International Organizations

International Labour Office, Committee of Social Security Experts, 1947-72
International Social Security Association, Vice Chairman, Committee of Social Security Actuaries (Chairman, American Regional Committee of Social Security Actuaries), 1956-70; Member of Bureau, 1981
United Nations, Pension Review Group, 1958-60
UN Joint Staff Pension Fund, Committee of Actuaries, 1961-
International Fisheries Commissions Pension Society, 1956- (President, alternate years)
Organization of American States, Actuarial Consultant, 1970-80
Lutheran World Federation, Actuarial Consultant, 1971-

Professional Relations with Other Organizations

Lutheran Church in America, Board of Pensions, 1956-
National Council of Churches, Pensions Committee, 1957-75
Pension Research Council, Wharton School, 1957-
Group Health Association, Board of Trustees, 1962-65
Chamber of Commerce of the U.S., Private Pension-Social Security Committee, 1971-80
National Health & Welfare Retirement Association, Board of Trustees, 1972-78
Aid Associationn for Lutherans, Board of Directors, 1974-75
Railroad Retirement Board, Actuarial Advisory Committee, 1974-81
National Taxpayers Union, Board of Advisors, 1977-80
Compensation Task Force, Montgomery County, Maryland, 1983-
Board of Electors, International Insurance Hall of Fame, 1983-
Contributing Editor, Journal of American Society of CLU, 1984-
Editorial Advisory Board, Benefits Quarterly, 1984-
Trustee, AARP Investment Trusts, 1984-
Trustee, NASL Series Fund, 1985-
Board of Advisors, Studies on Smoking (Edinboro, PA), 1987-
Board of Advisors, Americans for Generational Equity, 1987-

Professional Societies

Fellow, Society of Actuaries (President, 1971-71)
Fellow, Casualty Actuarial Society
Fellow, Conference of Actuaries in Public Practice
Fellow, Fraternal Actuarial Association
Member, American Academy of Actuaries (President, 1971-71)
Fellow, American Statistical Association
Fellow, American Association for the Advancement of Science
Fellow, Royal Statistical Society (England)
Corresponding Member, French Institute of Actuaries
Corresponding Member, Spanish Institute of Actuaries
Associate, Institute of Actuaries (England)
Member, International Actuarial Association (Vice President, 1975-77)
Member, International Association of Consulting Actuaries
Member, Inter-American Association of Social Security Actuaries (President, 1961-84)
Member, International Union for Scientific Study of Population
Member, Population Association of America (First Vice President, 1962)
Member, National Academy of Social Insurance (Board of Directors, 1986-)

Professional and Other Awards

Triennial Prize for Paper, Actuarial Society of America, 1941-43
Distinguished Service Award, U.S. Department of Health, Education, and Welfare, 1956
Career Service Award, National Civil Service League, 1959
Employee Benefits Man of the Year Award, Pension & Welfare News Magazine, 1974
Award of Merit, International Social Security Association, 1975
Distinguished Alumni Award, University of Iowa, 1980
Commissioner's Citation, Social Security Administration, 1982
Kudos of the Month, 50 PLUS, March 1982
Legion of Honor Bronze Medallion, Chapel of Four Chaplains, Philadelphia, PA,1982
Distinguished Citizen Award, National Health and Welfare Mutual Life Insurance Association
Hall of Fame Award, Cheltenham High School, Elkins Park, PA, 1984
Certificate of Appreciation, Trust Territory of the Pacific Islands, 1986

Publications

"Social Insurance and Allied Government Programs", Richard D. Irwin, Inc., 1965
"Medicare", Richard D. Irwin, Inc., 1970

"Social Security", Richard D. Irwin, Inc., 1975 (2nd edition, 1981; 3rd edition, 1985)
"Indexation of Pension and Other Benefits", Richard D. Irwin, Inc., 1978
Section on "Social Security", World Book, various editions
Also, 702 papers in technical and scientific journals; about 549 published discussions, book reviews, and letters to the editor; and testimonies before Congressional Committees and advisory groups (a total of 108)

Military Service

Captain, Army of the United States (Medical Statistics Division, Office of the Surgeon General), 1943-45

Listings in Compendiums and Depositories

Listed in Who's Who in America, Who's Who in the World, and Contemporary Authors
Files in State Historical Society of Wisconsin,, Madison, WI.
Papers and memorabilia in Archive of Contemporary History, University of Wyoming, Cheyenne, WY.

Social Clubs and Other Organizations

Cosmos Club, Washington, D.C.
Newcomen Society, Exton, PA.
Travelers' Century Club, Los Angeles, CA.
Mensa
Kentucky Colonel

LETTER FROM SENATOR JOHN D. ROCKEFELLER IV

March 30, 1989

Dear Mr. Chairman,

Attached is a request for the necessary appropriation to support the work of the National Commission on Children during fiscal year 1990. As the recently elected chairman of the Commission, I am submitting a statement and relevant documentation to justify the request for $940,000.

The National Commission on Children has been given an unusually comprehensive mandate to assess the needs of our children in a range of areas, and to provide recommendations aimed at improving the wellbeing and future of our nation's children. Our job is both complex and ambitious. As I know you agree, our purpose is profoundly important.

Please let me know how I can help in the consideration of this appropriation request. We believe our proposed budget is based on a plan to efficiently and effectively fulfill our mission.

Thank you very much.

Sincerely,

John D. Rockefeller IV

STATEMENT OF THE NATIONAL COMMISSION ON CHILDREN

The National Commission on Children was created by Public Law 100-203, December 22, 1987. The law was amended by Public Law 100-647, November 10, 1988, which revised the due dates of the interim and final reports to the President and to the Congress to March 31 and September 30, 1990, respectively. The Commission will terminate its activities on September 30, 1990.

The Commission's 36 members have been given a very broad mandate to serve as a forum on behalf of the children of the Nation and to conduct unbiased, in-depth studies and submit recommendations with respect to the following subjects:

-health of children, including infant mortality; physical fitness; and health care services.

-social and support services for children and their parents, including child neglect and abuse; foster and adoptive services; and drug and alcohol abuse.

-education, including teacher qualifications; parent and school cooperative programs; and programs for children with physical and mental disabilities.

-income security, including child-support and cash-assistance programs.

-tax policy, including the dependent care and earned income tax credits.

Additionally, the Commission has been mandated to identify ways in which public and private organizations and institutions can work together at the community level to assure comprehensive services to meet the needs of families and children.

Finally, the Commission has been charged to assess and make recommendations pertaining to current programs which collect and analyze data on the status of children and relevant programs.

The Commission was provided a $790,000 appropriation, to remain available until expended, on October 1, 1988. However, $692,000 will be utilized in fiscal year 1989 and $1,038,000 will

be needed for fiscal year 1990. Since $98,000 will be available in 1990 from the 1989 funds, an appropriation of $940,000 is being requested for 1990; there was no appropriation requested in the President's budget.

Six-hundred and fifty-one thousand dollars is being requested for personnel compensation for the Executive Director and 11 staff. There will be a Senior Research Director plus one Professional Researcher for each of the five major subject areas to be studied. Members of the Commission serve without pay.

Two-hundred and seven thousand dollars is being requested for travel. The Commission is mandated to serve as a forum for the children of the Nation and to conduct public hearings in different geographic areas of the country, urban and rural. The Commission intends to hold four public hearings and it is estimated that each member will attend three other public forums. It is estimated that members travel will be $173,000 and staff travel will be $34,000.

One-hundred and eighty thousand dollars is being requested for other expenses. It is estimated that printing of the interim and final reports will be $50,000; rent to GSA, $45,000; and other administrative expenses (communications, supplies, other services), $85,000.

(Appropriation Language)
(the language on Appendix page I-A23 should be replaced with the following)

Amendment
(Appendix I-A23)

NATIONAL COMMISSION ON CHILDREN

SALARIES AND EXPENSES

For necessary expenses of the National Commission on Children, as established by section 9136 of the Omnibus Reconciliation Act of 1987, Public Law 100-203, $940,000.

FY1989 Revision
(Appendix I-A23)

NATIONAL COMMISSION ON CHILDREN

		1989 Estimate	1989 Revised Estimate	Change
	Object Classification (in thousands of dollars)			
	Personnel Compensation:			
11.1	Full-time permanent	391	304	(87)
11.3	Other than full-time permanent	0	0	0
11.9	Total personnel compensation	391	304	(87)
12.1	Personnel benefits: Civilian	47	76	29
21.0	Travel and transportation of persons	156	121	(35)
23.1	Rental payments to GSA	0	26	26
23.3	Communications, utilities, and miscellaneous charges	0	18	18
24.0	Printing and reproduction	15	6	(9)
25.0	Other services	83	90	7
26.0	Supplies and materials	0	6	6
31.0	Equipment	0	45	45
99.9	Total obligations	692	692	0
	Program and financing (in thousands of dollars)			
	Obligations incurred, net	692	692	0
	Obligated balance, start of year	0	0	0
	Obligated balance, end of year	0	(69)	(69)
	Outlays	692	623	(69)
	Personnel Summary			
	Total number of full-time permanent positions	12	12	0
	Total compensable workyears:			
	Full-time equivalent employment	10	7	(3)

Amendment
(Appendix I-A23)

NATIONAL COMMISSION ON CHILDREN

Program and financing (in thousands of dollars)

09-1050-0-0-801	1990 Request Pending	1990 Proposed Amendment	1990 Revised Request
Program by acivities:			
10.00 Total Obligations	98	940	1,038
Financing:			
21.40 Unobligated balance available, start of year	(98)	0	(98)
24.40 Unobligated balance available, end of year			
40.00 Budget authority (appropriation)	0	940	940
Relation of obligations to outlays:			
71.00 Obligations incurred, net	98	940	1,038
72.40 Obligated balance, start of year	0	69	69
74.40 Obligated balance, end of year	(10)	(94)	(104)
90.00 Outlays	88	915	1,003

Object Classification (in thousands of dollars)

09-1050-0-0-801	1990 Request Pending	1990 Proposed Amendment	1990 Revised Request
Personnel Compensation:			
11.1 Full-time permanent	49	472	521
11.3 Other than full-time permanent	0	0	0
11.9 Total personnel compensation	49	472	521
12.1 Personnel benefits: Civilian	6	124	130
21.0 Travel and transportation of persons	15	192	207
23.1 Rental payments to GSA	0	45	45
23.3 Communications, utilities, and miscellaneous charges	0	30	30
24.0 Printing and reproduction	10	40	50
25.0 Other services	18	27	45
26.0 Supplies and materials	0	10	10
31.0 Equipment	0	0	0
99 9 Total obligations	98	940	1,038

Personnel Summary

09-1050-0-0-801	1990 Request Pending	1990 Proposed Amendment	1990 Revised Request
Total number of full-time permanent positions	12	0	12
Total compensable workyears:			
Full-time equivalent employment	8	4	12

March 30, 1989

NATIONAL COMMISSION ON CHILDREN

FY1990 BA AMENDED REQUEST

	1989 ACTUAL	1990 REQUEST PENDING	1990 AMENDED REQUEST
BA(no-year)	790,000	0	940,000
outlays	623,000 1/	88,000	1,003,000
FTE	7 1/	8	12

1/ revised to reflect Commission program.

STATEMENT OF SENATOR JOHN D. ROCKEFELLER IV

Mr. Chairman and members of the subcommittee, thank you for this opportunity to present the request of the National Commission on Children for funding for fiscal year 1990. As the Chairman of the Commission, I am pleased to appear before you and I ask that our budget justification be included in the record. In addition, I submit a copy of the Commission's charter for the record.

The National Commission on Children is a major new undertaking to help improve the condition and future of America's children. As mandated by its enabling legislation, the Commission will take a comprehensive look at the needs and problems of our nation's children. Its ultimate purpose is to lay out recommendations for action at every level to strengthen the wellbeing of children.

Although created on December 22, 1987, by Public Law 100-203, the Commission did not receive initial funding until October 1, 1988 when it was provided an appropriation of $790,000. The Commission's authorizing law has since been amended with a measure that revised the due dates of our interim and final report to the President and the Congress to March 31

and September 30, 1990, respectively. Thus, the Commission will terminate its activities on September 30, 1990.

Although the $790,000 will provide adequate funding for year fiscal year 1989, the Commission requires funding for fiscal year 1990. I am therefore requesting an appropriation of $940,000 for fiscal year 1990.

The Commission has been charged with an unusually broad and ambitious mandate. According to its statute, the Commission consists of thirty-six Commission Members who represent different fields of enterprise and all sectors. They are from all parts of the country, and include several members of Congress, state and local government officials, civic leaders, leading researchers, and administrators. The Commission is designed to serve as a nonpartisan forum in which a range of specific questions regarding America's children will be intensely analyzed. We are called on by law to explore the following five major areas and make recommendations related to all of them:

-health of children

-social and support services for children and their parents,

-education

-income security, and

-tax policy.

In addition, the Commission is directed to identify ways in which public and private organizations and institutions can work together at the community level to assure comprehensive services to meet the needs of families and children.

Finally, we have been charged to assess and make recommendations pertaining to current programs which collect and analyze data on the status of children and relevant programs.

The FY90 appropriation request is based on careful consideration of the activities and needs we believe are crucial to fulfilling this unique and exciting mission. We recognize that this will be a complex undertaking, given the size of the

Commission and scope of its mandate. We feel a grave duty to carry out an effort that will fully tap the expertise and knowledge available throughout the country. Our objective is to provide to the President, Congress, and the general public both practical and promising ways to strengthen the lives of America's children.

On behalf of the National Commission on Children, I wish to affirm that we are prepared to meet the challenge laid before us. Thank you for your consideration.

SUBCOMMITTEE RECESS

Senator HARKIN. The subcommittee stands in recess until next Friday, March 17. We will receive testimony from the remaining agencies funded under title IV of our bill.

[Whereupon, at 12:10 p.m., Friday, March 10, the subcommittee was recessed, to reconvene at 9 a.m., Friday, March 17.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

FRIDAY, MARCH 17, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:02 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Burdick, and Specter.

U.S. BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE

STATEMENT OF HON. CLAUDE PEPPER, CHAIRMAN

OPENING REMARKS

Senator HARKIN. The Subcommittee on Labor, Health, Human Services, and Education of the Senate Appropriations Committee will come to order.

Our tentative first witness is Senator Claude Pepper—we all call him Senator—Chairman of the U.S. Bipartisan Commission on Comprehensive Health Care. The visionary Commission was created by the Medicare Catastrophic Coverage Act of 1978. The Commission is bipartisan and bicameral and it includes members appointed by the executive branch as well as Congress.

We have all heard heartbreaking stories about the elderly who simply cannot afford the cost of a nursing home or cannot get care in their communities. Our population is aging and the oldest of the old, those who are over 85, are the fastest growing group of all. Clearly, as we look at the future of health care in this country there are few more pressing issues than providing affordable, accessible long-term care to everyone who needs it.

Again, we would just like to point out that my State of Iowa has the distinction of having the highest concentration, it is No. 1 in the Nation, of elderly over the age of 85, No. 4 in the Nation in the concentration of elderly over age 65.

The Bipartisan Commission on Comprehensive Health Care was formed to find answers to these pressing questions. All of us are looking forward to reviewing the Commission's reports for long-term care and comprehensive health care for all older Americans.

Again, we have also with us this morning the Physician Payment Review Commission, the Prospective Payment Assessment Commission, the Corporation for Public Broadcasting, the National Commission on Libraries and Information Science, the U.S. Institute of Peace, the National Commission on Infant Mortality, and the U.S. Soldiers' and Airmen's Home.

I again want to welcome to this subcommittee the Chairman of the Bipartisan Commission on Comprehensive Health Care.

For many years my good friend Claude Pepper has been the undisputed leader in the Congress on issues concerning health care and the elderly. Even more than that, you have served as the conscience of America when it comes to making sure that our elderly are treated as individuals in their own right and they have the right to decent, affordable health care and to live a life of independence and not dependency.

Your leadership brings real meaning to the words, a kinder and gentler America. I am proud to have you here before this subcommittee. I am proud to call you a friend and I am proud of all that you have done in your lifetime to indeed make this a kinder and gentler America. I would recognize my distinguished colleague from North Dakota for any opening comments.

Senator BURDICK. It is certainly a pleasure to welcome our friend to this side of the Capitol. He has been a good friend for many years. He gave me support when I ran for office when he did not even know me, so it is nice to see you again.

Senator HARKIN. Well, he has good judgment. Senator Pepper, welcome.

Mr. PEPPER. I apologize for being a little late. I would be glad to stay in after school if you like. [Laughter.]

I am very grateful for the opportunity to appear here before you and your distinguished committee this morning about a matter which is very, very close to my heart and very meaningful to our country.

In the first place, I am delighted to be here with you. If you do not mind my mentioning it, I remember the delight I had spending a day campaigning for you in your great State and your election and how proud I was when you were elected.

You have indicated that my confidence in you as being a great champion of the elderly was well justified. You have done a great deal to make life longer and better and healthier and happier for them and I am very proud of the contribution that you have made.

On a personal note, if I may say, I have been informed by Senator Chiles that you were very helpful to him in getting a resolution through the Senate to name a building out at the National Institutes of Health after me and I am very grateful to you for that.

This program with which we are concerned now is very meaningful not only to the elderly but to all of the disabled people of our country. We have about 8.5 million people who are chronically ill in our Nation, men, women, and children, and I emphasize children as well as the elderly.

I held a hearing in San Francisco a couple of years ago and I shall never forget six mothers who sat there in front of me. Each one had a little boy or girl in her arms. I shall never forget the one that sat over here on the left (a beautiful little girl in her mother's

arms), and I said, "What is the trouble with your child?" She said, "She has a peculiar malady of all of a sudden just stopping breathing and if she is not immediately aided then she would be dead in just a few minutes." You can see, therefore, the constancy of care required to protect that little girl against death from that disability.

All over the country there are children as well as elderly that are in dire need of long-term health care. And there are 37 million people in the country who do not have any insurance. It is costing 1 million of our people the ravage of destitution, trying to pay the cost of catastrophic illness in our country today.

I could recite to you some of the most tragic cases that have come to the attention of my Subcommittee on Health and Long-term Care of people who are chronically ill, struggling to take care of a dear one that has some disabling disease. For example, a lady in Fort Lauderdale, FL, called up a niece of mine who lives there when my bill on long-term care was before the House last June. She said:

> My father and I live in our home. I am the support of the family as a worker and my father has Alzheimer's disease. He formerly was not so disabled that I could not take care of him by going home for lunch and being home overnight, but now his disease has proceeded to the state of disability where he has to have somebody with him all the time or he will hurt himself.

She said, "What am I going to do? If I quit work there is no support for the family. I have not got the money to hire anybody to stay at home with my father when I am not there. I have not got any $2,000 or $3,000 a month to put him in a nursing home." She said, "Call your uncle and ask him when he thinks that long-term care bill of his is going to get through the Congress."

That is just typical of the need there is among people of this country. So last year, when we had the catastrophic bill up I was able, through the kindness of the Honorable Henry Waxman—who is by the way, a member of this bipartisan commission—to get him to put into the bill the Pepper amendment, which provided that there should be set up a bipartisan commission of 15: three appointed by the President, six from the Senate, and six from the House.

From the Senate are Senator Rockefeller, Senator Heinz, Senator Baucus and Senator Kennedy and Senator Durenburger and Senator Pryor. From the House, we have, along with Representative Waxman, Representatives Gradison, Stark, Tauke, and Oakar. I am one of the four Democrats from the House and I was chosen chairman of the Commission. Senators Durenberger and Baucus and Congressman Gradison were chosen as vice-chairmen. We also have three Presidential appointees: James Balog, chairman of Lambert-Brussels Capital Corp.; Dr. James Davis, president of the AMA; and John Cogan, now of the Hoover Institute.

The statute gave our bipartisan Commission these duties—and I am reading from section 401: In general, the Commission shall examine shortcomings in the current health care delivery financing mechanism that limit or prevent access of all individuals in the United States to comprehensive health care and to make specific recommendations to the Congress respecting Federal programs, policies, and financing needed to assure the availability of: (*a*) com-

prehensive long-term care services for the elderly and disabled—which as I said includes children; (*b*) comprehensive health care services for the elderly and disabled; and (*c*) comprehensive health care services for all individuals in the United States.

Mr. Chairman, you and your distinguished committee know that our country and South Africa are the only industrial nations in the world that do not have a comprehensive system of health care for their people. You would think the United States would be in the lead. Unfortunately, we are in the rear.

I was making a little talk about some of the problems of the disabled in this country down in my district in Miami Beach a little while ago. After the outside meeting we went inside for coffee, and among the people at the table was a lady who spoke up and said, "Mr. Pepper, I do not understand what you were saying out there a while ago. Do you mean that those disabilities that you described are not taken care of by some kind of a health plan of your country, your advanced country, America?" She said, "I am from Canada and my Government program would have taken care of those things for those people."

So we are hoping that we will have the opportunity to make a careful examination of the Canadian system, which seems to work well in Canada. Of course, we are going to examine all of the other systems and try to determine what is the best to recommend to the Congress.

The purpose of this Commission, then, is to make a study of these essential health questions in our country and recommend to the Congress how much they would cost, how they should be administered, what their character should be, and give the Congress the facts upon which it can legislate if it chooses to do so, both in the long-term care field and also with respect to comprehensive health care.

Now then, all the members of the Commission have been appointed. We were delayed in having our initial meeting until February 9. There were some vacancies in the Senate membership and it took some time to get those vacancies filled. Then Senator Mitchell was to be one of the members. Of course, when he was elected majority leader he withdrew and another member had to be named, so the first time we were able to meet was February 9.

The law provided that we were to make two reports. One, a report on long-term care, comprehensive in character, and the other a comprehensive report on health care for all the American people. The first report was to be filed within 6 months after the formation of the Commission, the second within 12 months after the formation of the Commission.

Since we were not able to get organized until February 9, why, of course, we had to adopt new times for filing the reports. The Commission worked out a compromise. We would file our two reports simultaneously 9 months after the first day of the organization of the Commission. That means the 9th of November of this year, which will give us next year for the Congress to consider the recommendations of the Commission.

I offered an amendment of the statute to embody this change with respect to the date of filing and one other change—the selection of three vice chairmen instead of one. That amendment will go

through the House sometime soon, I am sure without any difficulty and it will come to you in the Senate.

So now, then, we have really begun to get underway. At our last meeting we chose a very outstanding lady—and she is sitting by me here today—Ms. Judith Feder, who is a very knowledgeable, outstanding person in the health field from Georgetown University. She is our staff director. She has brought onto the staff with her Mr. Ed Howard, who was for 2 years counsel for the Aging Committee when I was chairman of it, who has been on the Hill here for 9 years, very knowledgeable in affairs here on the Hill, and has been with the Villers Foundation for several years which as you know is a very meaningful foundation in service of the health care needs of the people of the country.

So now we have our two top staff people. They will recommend to the Commission additional staff people. We will probably wind up, we estimate, with around 17 people altogether. We are permitted to draw from the Government's personnel people to assist the Commission as we choose to do. But we will anticipate having probably around 17.

We are now undergoing a rather difficult problem of finding space, which as you know is very scarce around here, but we think we have assurance of space. We already have found a niche for Ms. Feder to work in, so we are beginning now to make progress.

Now, to get to the point of this hearing. The bill authorized $1.5 million as a budget for the Commission during our lifetime and 1 month after we filed our final report. Then they cut it down in various appropriations procedures until it is just a little over $1 million. We are here today to ask you—and I have got a letter here from Senator Baucus who supports what I am saying here today and I understand Senator Durenburger will also file a similar letter with your committee—we are asking you to increase the appropriations from a little over $1 million, where it is now, to the authorized amount of $1,500,000.

Now, we have got a budget. We have not finalized it yet, but it is about $1,600,000. However, in our bill that we proposed to amend the original statute, we provide that the Government shall pay the printing costs as we do with respect to committee prints. That will reduce our anticipated needs to about $1,500,000. Our budget is not finalized yet because our staff has just begun to function and work on that.

What we are asking you to do, Mr. Chairman, is give us the amount of the authorized appropriation; $1.5 million. Of course, money that is not spent will be returned to the Government, but we do not want to be coming back to you unless there is some real emergency to do so and we think if you can give us the amount authorized, $1,500,000, we would not have to come back to you any more.

But it is vital that we start off with the resources we need. We want to have hearings, starting as soon as possible. Our first hearing will probably be on the Canadian system or whatever Ms. Feder determines. She is here to support our request today, that you allow the authorized amount of $1,500,000, which would be about $500,000 more than has already been appropriated. Thank you very much, Mr. Chairman and members of the committee.

Senator HARKIN. Senator Pepper, thank you very much. We are honored by your presence and your fine testimony. As I understand it, you plan on submitting the reports no later than November 9 of this year. Your request is actually for $467,000 this year to add on the $1.033 million from last year. I just wanted to get that in the record.

Again, I am very enthused about the bipartisan Commission. As you pointed out, the United States and South Africa are the only two countries that do not have that kind of a comprehensive health program.

I have to tell you I mentioned before you got here, Claude, that in Iowa we have the distinction of having the highest concentration of elderly over age 85 of any State in the Nation. Also, we are No. 4 in concentration of elderly over 65. So, in our State of Iowa, this is a most crucial problem.

I cannot tell you how many times I hear from people in Iowa about the lack of adequate long-term care. About how they have had to spend their assets so they have to go on Medicaid. The cost is just skyrocketing.

The cost of long-term care in a nursing home averages $24,000 a year, and the elderly that I know in Iowa just cannot afford that. It is just a crushing burden. Will your Commission be looking at this aspect of it, about the cost, and how we might rein in those costs and do something about it?

Mr. PEPPER. That is one of our primary missions. Long-term care is one of the primary responsibilities of this Commission. I am very much aware of the number of elderly in your State from my visits with you out there and that is the reason I have been so pleased that they have such a champion as you have been for these worthy causes.

It would make your heart sad if you knew the details of the people all over this country that are suffering immeasurable hardship. As I said, 1 million go bankrupt every year and become destitute, lose their homes, trying to pay the cost of catastrophic care.

So one of the first things I am hoping that will come out of this recommendation of our Commission would be long-term care programs for all the chronically ill men, women, and children of this country. It means a great deal, Senator, what we do in this matter. I think it is the first time we have come this near to meeting the health needs of the people of our country.

Senator HARKIN. Thank you very much. Again, I just want to say that even though I do not personally know the two individuals you mentioned, your staff director, Dr. Feder and also Mr. Howard, I do know them by reputation and their reputations are outstanding. You made two good choices in getting these people to help run this Commission and get the reports to the public.

I would yield to my friend and colleague from North Dakota.

Senator BURDICK. Thank you, Mr. Chairman. Senator Dole and I sent a letter to you last month encouraging the Commission to pay special attention to the long-term care needs of rural areas. What we did not mention in that letter is the need for the Commission to also consider the unique problems of the rural poor.

As you know, only one-fourth of the rural poor qualify for Medicaid. Also, the number of uninsured rural Americans is 15 percent

higher than the U.S. average. In a rural State like North Dakota, these statistics reflect serious problems. Can you tell me whether you expect the Commission to focus on the unique needs of the indigents in rural areas, in addition to those in urban areas?

Mr. PEPPER. That will be specifically included, Senator. We will include all of the chronically ill men, women, and children of this country, wherever they live, because they are people.

That is what we are concerned with, is people, and you see here, the Commission shall examine shortcomings in the current health care delivery and financing mechanism that limit or prevent access of all individuals in the United States to comprehensive health care and make specific recommendations to the Congress respecting Federal program policies and financing needed to assure the availability of comprehensive long-term care services for the elderly and disabled.

That includes every chronically ill person. Comprehensive health care for the elderly and disabled and comprehensive health care for all individuals in the United States. So the rural will have the same place as the urban have in this consideration.

Senator BURDICK. Well, that answers my question very adequately, Senator.

Mr. PEPPER. Thank you very much.

Senator HARKIN. If I might just also echo what my distinguished friend from North Dakota said. One-third of our Nation's elderly live in rural areas. We have unique problems. They are further away from immediate care. Many of them do not have the kind of support systems that their urban cousins have.

Travel is a problem, just getting to some of the basic services in rural areas. So again, I am enthused and cheered by the fact that you will look at the specific problems of the elderly in rural areas in this long-term care program.

The last thing I would add, Senator Pepper, is that I hope the Commission will also look at folding in some form of home care for the elderly. There are a lot of elderly who enjoy living in their own homes but they need just a little bit of care, a little bit of help during the day, in the evening, in meal preparation, or doing some shopping.

Maybe just a few things and they do not have to go into a nursing home and I have got to believe that not only would it be cheaper for us as a society, but it would be much more life-enhancing if we were to form some kind of services to elderly in their homes, if, in fact, they were able to stay there and I see you nodding and I hope that you will be looking at that.

Mr. PEPPER. Yes, sir; there is no doubt in my mind that it is cheaper to provide for people in their home. That is certainly more desirable from their point of view. They share the opinion that my dear mother expressed to me many times. She said, "Son, do not ever let them put me in one of those nursing homes." She wanted to stay home.

She knew who her neighbors were right around her. She had her flowers in the back yard that she had tended. Her children could come any time they wanted to without any rules of any institution and the like.

She was not in a strange environment. She was in her own home, and a great many elderly have their own homes and with some care from people coming to help them, they do not have to leave those homes. They do not have to pay rent on something else. They have already got a place.

So that is one of the things we are going to emphasize, home care.

Senator HARKIN. Well, good for you and again, thank you for being here. I know you have a busy schedule, too. We are honored by your presence. Many of my elderly friends and I well remember when you were there and they keep asking me when you are going to bring that nice Claude Pepper back to Iowa and so I just want you to know you have a standing invitation to come back out to Iowa any time.

Mr. PEPPER. Senator, I was proud that the people shared my recommendation of your choice and I hope you are going to be here for a long, long time.

Senator HARKIN. Thank you, and Godspeed on the Commission.

PREPARED STATEMENT AND QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Mr. PEPPER. May I offer my statement for the record?

Senator HARKIN. It will be included in its entirety in the record.

Mr. PEPPER. Thank you very much.

Senator HARKIN. Thank you very much.

[The information follows:]

STATEMENT OF CLAUDE PEPPER

MR. CHAIRMAN. MEMBERS OF THE SUBCOMMITTEE. DISTINGUISHED GUESTS. FIRST, I WANT TO COMMEND THE DISTINGUISHED CHAIRMAN OF THIS SUBCOMMITTEE, SENATOR TOM HARKIN, FOR HAVING ME HERE TODAY AND FOR HIS DEDICATED AND TIRELESS EFFORTS ON BEHALF OF OUR NATION'S ELDERLY AND DISABLED. I AM SURE, SENATOR HARKIN, THAT OUR SENIOR CITIZENS AND THE HEARING IMPAIRED OF OUR COUNTRY WILL LONG REMEMBER YOUR GOOD WORK IN HELPING TO ESTABLISH THE NATIONAL DEAFNESS INSTITUTE LAST CONGRESS. AND, HOPEFULLY, YOUR EFFORTS TO INCREASE RESEARCH IN THIS LONG-NEGLECTED AREA WILL LEAD TO BREAKTHROUGHS IN OUR UNDERSTANDING OF DEAFNESS AND OTHER COMMUNICATION DISORDERS.

MR. CHAIRMAN. TODAY, THERE ARE ABOUT 8.5 MILLION CHRONICALLY ILL AMERICANS OF ALL AGES WHO REQUIRE LONG-TERM CARE. THERE ARE 37 MILLION AMERICANS OF ALL AGES WHO HAVE NO HEALTH INSURANCE. OVER 1 MILLION AMERICANS GO BANKRUPT ANNUALLY TRYING TO COVER THE COSTS OF CARE ASSOCIATED WITH A LONG-TERM ILLNESS. THERE IS NO PUBLIC OR PRIVATE INSURANCE PLAN AVAILABLE IN AMERICA TODAY THAT CAN PROTECT INDIVIDUALS AGAINST THE CATASTROPHIC COSTS OF A LONG-TERM ILLNESS LIKE ALZHEIMER'S, PARKINSON'S, CANCER, STROKE AND THE LIKE.

THE QUESTION OF HOW TO FINANCE AND HOW TO ADMINISTER A PROGRAM OF LONG-TERM CARE FOR ALL AMERICANS AND HOW TO FINANCE AND HOW TO ADMINISTER A PROGRAM OF COMPREHENSIVE CARE FOR ALL AMERICANS IS THE MOST TROUBLESOME ASPECT OF OUR HEALTH CARE SYSTEM TODAY. THAT IS WHY I OFFERED AN AMENDMENT TO THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988 CREATING A BIPARTISAN CONGRESSIONALLY-MANDATED COMMISSION, SIMILAR TO THE SUCCESSFUL 1983 SOCIAL SECURITY COMMISSION, TO COME TO GRIPS WITH THESE CRUCIAL QUESTIONS.

I AM PLEASED TO REPORT THAT THE COMMISSION WILL SOON BEGIN ITS HISTORIC MANDATE. ALL COMMISSIONERS HAVE BEEN APPOINTED: SENATORS MAX BAUCUS, DAVID PRYOR, TED KENNEDY, JAY ROCKEFELLER, DAVID DURENBURGER, AND JOHN HEINZ. REPRESENTATIVES HENRY WAXMAN, MARY ROSE OAKAR, PETE STARK, TOM TAUKE, BILL GRADISON AND MYSELF. AND PRESIDENT REAGAN APPOINTED JAMES DAVIS, PRESIDENT OF THE AMERICAN MEDICAL ASSOCIATION, JAMES BALOG, CHAIRMAN OF THE BOARD, LAMBERT-BRUSSELLS, INC., AND JOHN COGAN, FORMER DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.

WHILE THE COMMISSION BECAME EFFECTIVE WITH THE ENACTMENT OF THE CATASTROPHIC HEALTH CARE ACT ON JULY 1, 1988, WE WERE UNABLE TO OFFICIALLY BEGIN OUR WORK UNTIL FEBRUARY 9, 1989 BECAUSE SEVERAL MEMBERS ORIGINALLY APPOINTED BY THE SENATE MAJORITY LEADER WERE UNABLE TO FULFILL THEIR SERVICE WITH THE COMMISSION AND NEW APPOINTMENTS HAD TO BE MADE BY THE NEW MAJORITY LEADER. ON FEBRUARY 9, WE HELD OUR FIRST ORGANIZATIONAL MEETING AND I WAS NAMED CHAIRMAN OF THE COMMISSION. SENATORS MAX BAUCUS OF MONTANA AND DAVID DURENBURGER OF MINNESOTA WERE NAMED VICE-CHAIRMEN.

ON MARCH 2, WE HELD OUR SECOND ORGANIZATIONAL MEETING. THE COMMISSION AGREED TO AMEND THE STATUTE ESTABLISHING THE COMMISSION IN TWO AREAS. FIRST, THE STATUTE PROVIDES FOR ONE VICE-CHAIRMAN. THE COMMISSION AGREED TO HAVE THREE VICE-CHAIRMEN INSTEAD OF ONE, AND ADDED REP. BILL GRADISON OF OHIO. SECOND, THE STATUTE REQUIRES THE COMMISSION TO SUBMIT TWO REPORTS, ONE ON LONG-TERM HEALTH CARE NO LATER THAN 6 MONTHS AFTER ENACTMENT, AND THE OTHER ON COMPREHENSIVE HEALTH CARE NO LATER THAN 1 YEAR AFTER DATE OF ENACTMENT. THE COMMISSION AGREED TO PROVIDE FOR THE ISSUANCE OF TWO SEPARATE REPORTS SIMULTANEOUSLY NO LATER THAN NOVEMBER 9, 1989. IN ORDER TO ACCOMPLISH THESE CHANGES, I AM INTRODUCING A JOINT RESOLUTION ASKING THE CONGRESS TO MAKE THESE CHANGES IN THE STATUTE.

ON MARCH 9, WE MET FOR A THIRD TIME AND CHOSE THE COMMISSION'S STAFF DIRECTOR -- A DISTINGUISHED HEALTH CARE EXPERT WHO IS THE CO-CHAIR OF THE CENTER FOR HEALTH POLICY STUDIES AT GEORGETOWN UNIVERSITY -- DR. JUDITH FEDER, AND THE COMMISSION'S GENERAL COUNSEL -- AN BRILLIANT ATTORNEY WITH THE VILLER'S FOUNDATION WHO HAS 9 YEARS OF HILL EXPERIENCE -- EDWARD HOWARD.

SO YOU CAN SEE THAT THE WORK OF THE COMMISSION IS NOW UNDERWAY. WE HOPE TO HAVE A STAFF IN PLACE WITHIN THE NEXT TWO WEEKS AND TO CONVENE THE FIRST HEARING OF THE COMMISSION IN MID-APRIL. THE TASK AHEAD OF IT CERTAINLY A FORMIDABLE ONE AND TERRIBLY IMPORTANT TO OUR AMERICAN PEOPLE. WE MUST NOT DELAY IN ACCOMPLISHING OUR MANDATE.

MR. CHAIRMAN. THE LEGISLATION CREATING OUR COMMISSION AUTHORIZED AN EXPENDITURE OF $1.5 MILLION. $1.046 MILLION WAS APPROPRIATED FOR USE OF THE COMMISSION IN FISCAL YEAR 1989. THAT APPROPRIATION WAS REDUCED, AS YOU KNOW, BY 1.2% LEAVING $1.033 MILLION AS THE FY'89 APPROPRIATION OF THE COMMISSION. I AM HERE TODAY TO ASK THAT YOUR RECOMMENDATIONS FOR THE FISCAL YEAR 1990 APPROPRIATIONS INCLUDE $477,000 FOR THE U.S. BIPARTISAN COMPREHENSIVE HEALTH CARE COMMISSION TO BE MADE AVAILABLE UNTIL SPENT. THIS ADDITIONAL APPROPRIATION WILL ALLOW THE COMMISSION TO CARRY OUT ITS MANDATED DUTIES. WE ESTIMATE THAT IN ORDER TO PROVIDE ADEQUATELY FOR A STAFF, TRAVEL, EQUIPMENT, AND OFFICE SPACE THE FULL AUTHORIZATION WILL BE REQUIRED.

THANK YOU, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. I AM HOPEFUL THAT THIS COMMISSION WILL AT LONG LAST BRING ABOUT NEEDED HEALTH CARE FOR AMERICANS OF ALL AGES.

U.S. Bipartisan Commission on Comprehensive Health Care
Fiscal 1990 Budget Justification

The U.S. Bipartisan Commission on Comprehensive Health care was established by Title IV of Public Law 100-360, the Medicare Catastrophic Coverage Act of 1988. The law specified that

> The Commission shall (1) examine shortcomings in the current health care delivery and financing mechanisms that limit or prevent access of all individuals in the United States to comprehensive health care and (2) make specific recommendations to the Congress respecting Federal programs, policies, and financing needed to assure the availability of (A) comprehensive long-term care services for the elderly and disabled, (B) comprehensive health care services for the elderly and disabled, and (C) comprehensive health care services for all individuals in the United States.

The statute specified that the Commission would issue a report on comprehensive long-term care services for the elderly and disabled not later than six months after enactment (July 1, 1988) and a report on comprehensive health care services not later than one year after enactment. However, delays in the Commission's establishment have required changes in that schedule. Legislation has been submitted, altering the schedule so that two reports would be delivered to the Congress no later than November 9, 1989. The Commission terminates 30 days after the submission of its reports.

The Commission consists of fifteen members. Six are members of the House of Representatives (Representatives Willis Gradison, Mary Rose Oakar, Claude Pepper, Fortney Pete Stark, Thomas Tauke and Henry Waxman); six are members of the Senate (Senators Max Baucus, Dave Durenberger, John Heinz, Edward Kennedy, David Pryor, and John D. Rockefeller, IV); and three are Presidential appointees, (Messrs. James Balog, John Cogan and James E. Davis, M.D.). The Commission is chaired by Congressman Pepper. Senators Durenberger and Baucus and Congressman Gradison serve as Vice-Chairmen.

COMMISSION WORKPLAN

To develop its report and recommendations, the Commission will be conducting a number of activities. First, as authorized in the statute, public hearings will be held, both in Washington, D.C. and around the country. The purpose of these hearings will be to obtain information on concerns, experience, and options related to the issues the Commission is addressing.

Second, the Commissioners will be holding a series of working meetings to discuss the issues before them and to develop their recommendations.

Third, Commission staff will be conducting a series of meetings with experts, participants in the health and long-term care systems, consumers and other interested in the Commission activities to obtain their input.

Fourth, Commission staff will be conducting extensive analysis of current problems in delivery of long-term care and access to comprehensive health care, as background to the Commissioners' deliberations and as components of the Commission's report. Given the limited time available to the Commission and the availability of extensive expertise, the Commission will also be contracting for specific pieces of research and analysis. In addition, the statute authorizes the Commission to draw on the expertise of the General Accounting Office, the Congressional Budget Office, and Federal agencies, as necessary.

BUDGET REQUEST

The statute authorized $1.5 million for the performance of the Commission's required duties. In October, 1988, $1,033,000 was appropriated to the Commission. In order to fulfill its legislative mandate, the Commission requests the remainder of its authorized funds, an additional $467,000.

It is estimated that the complete staff complement will require fifteen salaried professional and clerical positions for the life of the Commission (see attached). Including benefits, staff expenditures are budged at $672,525.

Office equipment and supplies required to produce and print reports and conduct analysis are budgeted at $99,000.

Commissioned papers, cost projections to be produced by the Congressional Budget Office (and paid for by the Commission, as specified in the statute), and management support provided by the General Accounting Office are budgeted at $383,600.

Hearings and meetings as described in the workplan are budgeted at $345,875. The budget is based on an expectation of three hearings in Washington, D.C., six field hearings, and six formal meetings with outside groups and experts.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Long Term Care

Senator, the cost of long term care in a nursing home averages a crushing $24,000 a year. Where I come from, that's just not realistic.

-- Will the Commission report address financing issues of long-term care?

Mr. Chairman, I described to you in my testimony the people who have saved all their lives, spent all their savings, and still don't have enough money to pay for the care they need; the families whose children's needs go well beyond the care they can afford. It is the goal of the Commission to find ways to finance long-term care that will reduce these burdens and provide people care they can afford.

Shortage of Nursing Home Beds

GAO estimates that over 6.5 million elderly depend on others for help with eating, dressing, hygiene, cooking, and getting around the house. Yet 40% of them don't get the care they need due to shortages of nursing home beds and under-financing of home care.

-- Will the Commission take a look at this aspect of long-term care?

Not only are people going without the care they need; to the extent they get care, they get it primarily from their friends and family, sometimes at enormous personal costs. Right now we have almost no public financing or private insurance for care people receive in their homes--where they want to stay and should stay as long as they can. As you know, I introduced a bill in the last Congress for a public program to provide the home care people need. The Commission will look at that approach and other ways to assure that people who need care at home are able to get it.

Uninsured

About 37 million Americans are uninsured, and the number is growing. Medicaid covers half the poor, and only a quarter of the poor in rural areas.

-- How will the Commission address the urgent needs of the uninsured?

It is a travesty that so many Americans--one third of them children--have no health insurance at all. As you say, our public programs fall far short of helping all the poor and private insurance is excluding more and more people as the costs of health insurance rise and employers try to save money. This Commission will be exploring a full range of approaches--involving the public and private sectors--to assure all persons insurance so that they have access to comprehensive health care. That's the Commission's charge and that's what it's going to do.

Rural Elderly

I'm very concerned about the health care needs of our nation's elderly, and especially concerned about the elderly living in rural areas. About a third of or nation's elderly live in

rural areas, and they generally have less access to care and fewer resources.

-- How will the Commission address the special circumstances and needs of the rural elderly?

Mr. Chairman, the rural elderly--and indeed the rural population of all ages--do have special problems gaining access to medical care. Senators Baucus and Durenberger, two of the three Vice-Chairmen of the Commission, have worked diligently, along with you and many others, to address these problems. Together, we will assure that rural communities, like all communities, receive the attention they require.

Commission Reports to Congress

Senator, the Commission's report to Congress on long-term care services for the elderly and disabled is due April 1st, and the second report on comprehensive health care services for all Americans is due October 1st.

-- I know you're just getting underway. When do you expect to finish the reports?

As I explained in my testimony, since the Commission was delayed in starting, we have introduced legislation that would change our reporting schedule. Both reports--on long-term care and on comprehensive health care services for all Americans--will be delivered by November 9, 1989.

Commission Hearings

-- How do you plan to collect the information you need for these reports? Are you planning to hold any hearings or meetings of the Commission?

-- Will you be coordinating with Congressional committees that have an interest in long term and comprehensive health care?

-- Will you be working with interest groups in the private sector?

The Commission staff director, Dr. Judith Feder, whom I just introduced, is now preparing the Commission's agenda. Hearings in Washington and around the country are very likely to be part of that agenda so that we may hear the views of concerned citizens on the problems people face and how Congress can best help to solve them.

Mr. Chairman, the ultimate goal of this Commission is to make recommendations to Congress for legislation that will improve financing of long-term care and assure access to comprehensive health care. Several committees of the Congress are hard at work on legislation of this kind and I am happy to say that several members of these committees are also members of the Commission. We will be working with these committees to assure that our efforts will produce concrete legislative results.

Groups of all kinds have an interest in better ways to finance long-term care care and basic medical care to our citizens. The experience and support of these groups is critical to effective recommendations and legislation. The Commission will be working with these groups as it develops its report and recommendation.

Commission Budget

This Subcommittee provided over $1 million in FY 1989 for the Commission, and you are requesting the balance of your authorized funds.

-- How much of the FY 1989 appropriation of $1,033,000 has been obligated or expended so far?

-- Can you provide the Subcommittee with a detailed budget request?

No Expenditures to date.

The detailed budget request has been forwarded to your Committee.

Thank you, Mr. Chjairman, for your tremendous leadership in issues of such great importance to our people. No one has done more to assure that the elderly and all Americans can get the quality and affordable health care they need.

PHYSICIAN PAYMENT REVIEW COMMISSION

STATEMENT OF DR. PHILIP R. LEE, CHAIRMAN

ACCOMPANIED BY DR. PAUL B. GINSBURG, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator HARKIN. Next, we will go to the Physician Payment Review Commission. Philip R. Lee, Dr. Lee, Chairman, and Dr. Ginsburg, Executive Director, welcome to the subcommittee. I will just state once for all of you that are testifying this morning, your statements will be made a part of the record in their entirety. If you could please take 5 to 7 minutes or so to summarize them, I would be most appreciative. So, Dr. Lee?

[The statement follows:]

STATEMENT OF PHILIP R. LEE

Mr. Chairman, I am pleased to come before this Committee today to discuss the progress of the Physician Payment Review Commission in the past year and its plans for the future. The Commission was created by Congress in 1986 (P.L. 99-272) to advise it on reforms in the methods used to pay physicians for services to Medicare beneficiaries. The Congress expanded its mandate in 1988 (P.L. 100-647) to include consideration of policies to moderate the rates of increase in expenditures and utilization of physicians' services. The Commission's 13 members, who are appointed by the Director of the Office of Technology Assessment, bring a broad range of knowledge, expertise and perspectives to the issues before them.

The Commission has had a strong record of accomplishment in the past year. It has established itself as a key source of advice and information to Congress, proceeded in its development of proposals for a fee schedule and measures to restrain growth in Part B outlays, and further strengthened its working relationships with groups representing physicians and beneficiaries.

COMMISSION'S 1989 REPORT TO CONGRESS

Last week the Commission completed its work on the recommendations to be contained in its report to Congress, due April 30. Later this morning, we will be outlining those recommendations to the Senate Finance Committee (I have brought copies of my testimony for members of the Committee). The Commission has developed a comprehensive set of proposals for reform in Medicare physician payment. Consistent with its mandate, it proposes changes in relative payments for different types of services and for services provided in different geographic areas, policies to limit the financial liability of beneficiaries for charges beyond those judged reasonable by the Medicare program, and options to slow the rate of increase in program costs.

In its first report to Congress two years ago, the Commission called for a fee schedule for Medicare to correct many of the deficiencies in the existing payment system. It has since recommended that the fee schedule be based primarily on costs and conducted an extensive evaluation of a HCFA-sponsored study by William Hsiao at Harvard University to develop a cost-based relative value scale (RVS).

The Commission does not yet have final relative values for each physician service or the geographic multipliers to define how payments would vary among localities. Nevertheless, it can clearly specify how the RVS from the Hsiao study should be refined and expanded, how work by the Health Care Financing Administration on a geographic cost of practice index should be used to develop a geographic multiplier, and how these changes will affect physicians and beneficiaries.

With the work completed thus far, we know enough about the impact of the final policy that Congress can legislate now, prescribing in detail how the components of the fee schedule are to be developed. While substantial work on the part of the Commission and others will be needed before such a fee schedule could be implemented, we are confident that the work could be completed by January 1, 1991.

Sharing the concern of Congress about the rate of growth in Part B outlays, the Commission expanded its work to define policies to moderate expenditure growth. Much of the rapid increase in Medicare outlays for physicians' services reflects rising volume of services per enrollee. The most promising way of controlling program costs is to reduce the provision of services that are inappropriate. The Commission sees the fee schedule as a significant improvement over the current payment method, but recognizes that it alone will not control the costs of physician services sufficiently or insure that patients receive the services most appropriate to their needs. Additional steps are needed that focus specifically on how services are used.

The Commission has reviewed three policies to reduce the provision of inappropriate services: 1) increased research on the effectiveness of care and a major effort to develop and disseminate practice guidelines, 2) improvements in utilization review by carriers and peer review organizations through a more comprehensive approach that looks across individual services to episodes of care and systematically integrates information drawn from claims data, analysis of practice patterns and peer review, and 3) giving physicians collective incentives to slow growth in the volume of services through expenditure targets.

COMMISSION WORK PLAN

The next 18 months will be a period of further policy development and refinement to ready the fee schedule for implementation and to move forward with measures to increase the appropriate use of services. It is not possible to review all the Commission's plans in this brief statement. They are described in detail in the Commission's appropriation request submitted to this Committee last January. I will highlight some of the major areas of work the Commission will undertake in the next fiscal year.

Further Work on the Fee Schedule

For a fee schedule to be implemented in 1991, relative values must be specified for the approximately 7000 services physicians provide to beneficiaries. The Commission's evaluation of the Hsiao study found the basic methodology to be sound, but there are a number of deficiencies that must be corrected before a fee schedule drawing on its results could be implemented. The Commission has plans to address the most important of these shortcomings.

The Commission's work will include refinements in coding of visits and surgical procedures, development and refinement of estimates of physician time and effort in providing different services, development of alternative methods for incorporating practice costs into the RVS and refinements in the method for extrapolating values to services not studied by Professor Hsiao. The Commission will also continue its work to develop a method and gather necessary cost data to estimate relative values for the technical components of physician services in cases where they represent a substantial portion of the total service provided.

The work of the Commission in the past two years has been to develop a fee schedule proposal that applies broadly across all physician services and patients. As it has come closer to shaping that policy, it is looking ahead to a series of issues and tasks that can now be addressed. The Commission anticipates that even with changes brought about by the fee schedule, certain problems under the current payment system may not be fully addressed. It has targeted two such problems for further study. The first concerns whether there are characteristics unique to rural physician practices that lead to increased practice costs requiring an adjustment in payments under the fee schedule. The second concerns whether the coding system and payments for services under the fee schedule will fully recognize the time, effort and approach to care required for frail elderly patients.

The Commission will also take up the development of relative values for services provided by other health professionals. It will continue to assess the impact of the refinements in the fee schedule through its simulation work, as well as using the sophisticated data bases it has developed to analyze issues related to beneficary access and the relation between relative values and practice patterns. The Commission also expects to play a role in updating the fee schedule that is similar to the one it has played in developing its initial proposal, advising Congress and providing the technical analyses to inform policy decisions. That process would begin with enactment of the fee schedule, covering the detailed specification of the policy and its implementation.

Controlling Costs and Improving Quality

The Commission will continue its work to strengthen efforts to increase the appropriate use of services. It will stimulate work on practice guidelines by providing a forum for key parties involved in their development to share information, identify issues and set priorities for further work. It will assess potential strategies for disseminating practice guidelines and conduct analyses to define how guidelines can best be used in Medicare claims and quality review.

The Commission plans to examine additional aspects of utilization and quality review. Its work will include assessing the effectiveness of selected carrier review activities, reviewing existing information on approaches

to evaluating physician performance, and exploring the potential for academic health centers to work with PROs to develop physician education programs directed at problems identified in the peer review process. The Commission's work on expenditure targets will proceed in a manner similar to that for the fee schedule, concentrating on modification and refinement of the key elements of the policy that are of greatest interest to Congress. This will entail further analyses of Medicare program data to refine the financial aspects of the policy, consideration of strategies to encourage physician organizations to play an active role in influencing the appropriate use of services, and specification of the data and reporting requirements necessary to implement the expenditure target program.

ESTIMATE FOR FISCAL YEAR 1990

The Commission requests $3.722 million for Fiscal Year 1990. This level would cover the full annual costs of a staff of 26, provide the resources to support their work, cover the expenses of Commission meetings and permit funding of grants and contracts for policy analysis and data development to augment the work of the staff. This request represents an increase of $700,000 over the FY 89 appropriation level and reflects completion of the start-up phase of the Commission's work in which its staffing and analytic activities have grown to their full operational levels. The additional funds are required primarily to cover the costs of the two major resources available to the Commission to develop its recommendations to Congress: the staff and the use of outside contracts with individuals and organizations for data, analysis, targeted surveys and convening of consensus panels and focus groups.

In the last year, the Commission has significantly expanded its scope of work, becoming increasingly sophisticated in its analysis, in the techniques used to obtain needed information and in its use of outside experts. The work plan for FY 90 reflects both the expansion of the Commission's activities to address the issues before it and the growing expertise and capability within the Commission to carry out its charge.

The Commission staff is the primary analytic resource to the Commission. It has become expert in the methods for developing a cost-based fee schedule. It is now a leader in simulating the impact of alternative fee schedules and in building sophisticated data files for analyzing physician payment issues. Recognizing the need to supplement data analysis on a number of key issues with the informed judgments of physicians, carriers and beneficiaries, the staff has developed expertise in designing and running consensus panels. And, the staff has developed the capability to design and conduct focused surveys to gather timely data on specific policy questions before the Commission.

The Commission funds outside contracts for policy analysis and data development when conducting analyses internally would be more costly and time consuming, when needed data would only become

available to the staff under contract with outside groups, or when needed technical expertise does not exist within the staff. Funds from this category are also used to cover the expenses of convening consensus panels.

While the amount requested for policy analysis and data development appears to be a sizeable increase over last year, it actually reflects the Commission's current level of activity. Because the Commission had carryover from its first year's budget and added staff more slowly than anticipated last year, it had additional funds to support an ambitious plan for outside contracts, including contracting for some projects earlier than expected. We do not expect the Commission's work to lessen in the next few years and project a similar level of need for outside contracts to supplement or facilitate the work conducted by staff.

We are pleased with the accomplishments of the Commission in the past two and a half years in building a strong professional staff with a reputation of conducting high quality analytical work, developing strong working relations with interest groups and developing timely recommendations that have been well received by Congress. I will be glad to respond to any questions you have regarding the Commission's work or its FY 90 budget request.

COMPARISON OF FISCAL YEAR 1989 TO 1990 BUDGET
AUTHORITY, OUTLAYS, AND FULLTIME EQUIVALENT POSITIONS

Agency		1989 Actual	1990 Request	1990 Compared to 1989 Actual
($000)	BA	$3,022,000	$3,771,000	$700,000
	0	n/a	n/a	n/a
	FTE	22*	25*	3
		2**	2**	0

*The number of FTEs is less than the number of positions due to phased hiring for some new positions. They translate into a staff size of 24 individuals by the end of FY 89 and 26 individuals by the end of 1990.

** Equivalent of 13 Commissioners' meeting time for a one-year period (2.0 FTE's).

SUMMARY STATEMENT

Dr. LEE. Thank you very much. I would first like to thank Senator Burdick for his early and strong support for the Commission and I hope that our report today will confirm his early good judgment. I would also like to note that Iowa must be one of the best places to live in the country, if the elderly do not want to leave.

Senator HARKIN. That is right. We have good communities out there and families and it is just a great place.

Dr. LEE. One of the concerns of the Commission was to address the health needs of the rural elderly. I give a lot of credit to Jim Bob Brame, a rural family practitioner from Texas, who continuously reminded us of their needs, and I hope you will see that reflected in our recommendations.

I am pleased to come before the committee and to discuss the Physician Payment Review Commission's work during the past year and our plans for the future. The Commission was created by Congress in 1986 to advise it on reforms in the methods used to pay physicians for services to Medicare beneficiaries.

Congress expanded its mandate in 1988 to include consideration of policies to moderate the rate of increase in expenditures and utilization of physicians' services and you will note that this year we gave particular attention to both of those mandates from the Congress.

The Commission has had a strong record of accomplishment in the last year. It has established itself as a key source of advice and information to Congress. It has proceeded in the development of proposals for a fee schedule and measures to restrain the growth of part B outlays, and it has further strengthened its working relationships with groups representing physicians and beneficiaries.

The recommendations of the Commission, which were just completed last week at our final meeting, will be presented later today in testimony before the Senate Finance Committee. I have brought copies with me so you will have our complete recommendations.

Senator HARKIN. We will make that a part of the record, too.

[The information follows:]

STATEMENT OF PHYSICIAN PAYMENT REVIEW COMMISSION BEFORE SENATE FINANCE COMMITTEE

The Physician Payment Review Commission has developed proposals to rationalize the pattern of payments to physicians by Medicare and to slow the rate of increase in program costs so that they are affordable to the beneficiaries and the taxpayers. It met last week and approved the recommendations to be included in its 1989 Report to Congress, which will be submitted by April 30. I appear before you today to discuss these recommendations and answer your questions.

To rationalize the pattern of payments by Medicare, the Commission proposes a Medicare Fee Schedule based primarily on resource costs. To limit beneficiary financial liability, it recommends limits on balance billing. To control growth in expenditures, the Commission proposes the use of expenditure targets and increased research on effectiveness of medical services and development of practice guidelines.

MEDICARE FEE SCHEDULE

In its report to Congress two years ago, the Commission called for the development of a fee schedule for Medicare. We are now proposing that the current CPR method for paying physicians be replaced by a Medicare Fee Schedule that is based primarily on resource costs. The Commission recommends enactment of legislation this year to establish a Medicare Fee Schedule, with a transition fee schedule implemented within six months of enactment to move the payment system in a series of steps toward full implementation of the Medicare Fee Schedule in 1992. The Commission also recommends that the Medicare Fee Schedule should include all specialties, including radiology and anesthesiology for which separate fee schedules now exist for Medicare payment.

A fee schedule consists of:

- a relative value scale (RVS), which indicates the value of each service or procedure relative to others,
- a conversion factor, which translates the RVS into a fee for each service, and
- a geographic multiplier, which indicates how payment for a service is to vary from one geographic area to another.

Relative Value Scale

The Commission has reached a number of conclusions about the design of the relative value scale for the Medicare Fee Schedule. I will briefly describe our recommendations and then provide some background for the Commission's decisions.

The Commission recommends that the relative value scale (RVS) be comprised of two cost elements: relative physician work and practice costs.

With respect to relative physician work, the Commission favors:

- the use of the Hsiao methodology for estimating relative physician work, with refinements based on current work by Dr. Hsiao and analyses currently underway by the Commission
- adoption of a policy developed by the Commission to standardize the definition for all surgical global services, and
- modification of the current coding system for evaluation and management services to incorporate time into the definition of visit codes

For practice costs, the Commission proposes:

- use of a Commission-developed additive formula for incorporating practice costs into the RVS
- initial use of the Commission's refined estimates of practice costs by specialty, to be superceded by estimates of practice costs by category of service.
- developing a separate practice cost factor for professional liability insurance premiums

Relative Physician Work. The Commission has carefully evaluated the pioneering work by William Hsiao and his colleagues at Harvard University to develop a resource-based relative value scale. As have others, the Commission has found the methodology for estimating relative physician work to be sound and has drawn heavily on it in developing its RVS for the Medicare Fee Schedule. The Commission's evaluation calls for additional research to be undertaken by Dr. Hsiao and the Commission staff to strengthen the results of the study. Most of these tasks are already underway.

A national fee schedule requires that the codes for physician services be interpreted uniformly by all physicians and carriers. Only then can accurate relative values be assigned to each service so that fees reflect the resource costs associated with providing that service. The Commission's recommendations call for changes related to coding in two important areas: surgical global fees and evaluation and management services.

Codes for Surgical Global Services. With the unanimous agreement of a consensus panel made up of surgeons and carrier representatives, the Commission has developed a policy defining which services associated with an operation are to be included in the global payment for surgery and which are to be paid separately. Using data from the Hsiao study, the Commission has calculated the relative values for each operation to conform to this policy.

Codes for Evaluation and Management Services. Physicians cannot accurately use the current codes for evaluation and management services (commonly referred to as visit codes) to reflect their time and work, because the levels of service (e.g., brief, intermediate, comprehensive) are not precisely defined. Therefore, it is difficult to assign accurate values to current visit codes in a resource-based fee schedule. Analysis by the Commission and by Dr. Hsiao and his colleagues suggests that the physician's time is a good predictor of the work involved in each type of visit (e.g., hospital visit, office visit, new patient, established patient). The Commission recommends that time be incorporated into the definitions for visit codes. This coding reform would allow more accurate relative values to be assigned to these services and help physicians use the codes properly. Carriers would also have a way to determine whether physicians were billing correctly for these services.

With work currently underway by the Commission, Dr. Hsiao and the AMA-sponsored CPT Editorial Panel that oversees the CPT coding system, we expect definitions for visit codes to be revised and individual relative values to be assigned within the next year, well before full implementation of the Medicare Fee Schedule.

Grouping of Codes. Given the work currently underway to modify the coding system for the Medicare Fee Schedule, the Commission recommends the postponement of the legislative mandate to "group codes for payment purposes" by January 1, 1990.[1] The goal of this mandate is to control misuse and abuse of the coding system under the current payment method. Analysis by the Commission suggests that this could be accomplished more effectively by integrating precise definitions for codes with more rational fees for physician services.

---

[1]Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509), Section 9331 (d)(2).

Practice Cost Formula. The Commission has developed a formula for incorporating practice costs into the RVS that allows for overhead to be calculated independently from physician work. The original formula developed by Dr. Hsiao allowed changes in estimates of physician work to affect the calculation of overhead. This distorted the relative values and led to an overestimate of the impact of the shift to a fee schedule. As a result of the Commission's correction in the formula, the magnitude of changes in fees and impacts on different specialties is almost halved from the preliminary estimates reported by Dr. Hsiao and his colleagues last summer.[3] From our discussions with Dr. Hsiao, we understand that he agrees with the Commission's modification of the formula.

Professional Liability Insurance. Insurance coverage for professional liability represents a major cost to physicians that varies substantially by specialty and geographic area. To assure that the fee schedule adequately accounts for differences among risk classes (e.g., physicians doing no surgery versus thoracic, vascular and orthopedic surgeons) and localities (e.g., Florida, Idaho) used in setting premium rates, the Commission recommends that professional liability insurance premiums should be treated as a separate practice cost factor.

Updating the Relative Value Scale. Revisions in the relative value scale will be required to account for the introduction of new technology, changes in the use of existing technology and in clinical approaches to care, and refinements in the coding system. The Commission recommends that the process used to develop the Medicare Fee Schedule, in which the Commission provides the Congress with the information and advice it needs to make policy decisions, be used for updating the relative value scale. That process has been successful in accomplishing the technical and policy development tasks required, and it provides substantial opportunity for organizations representing physicians, beneficiaries and others affected by the policy to participate in the decision-making process.

Physicians, in particular, have a major role to play in revising the relative value scale. The Commission will continue to work closely with the American Medical Association (AMA) and the specialty societies. If the medical profession decides to coordinate its input on updating the relative value scale through the AMA, the Commission would find that an acceptable process.

Conversion Factor

The conversion factor transforms the RVS into a schedule of dollar payments for each service. The Commission recommends that the initial conversion factor be set so that outlays for physicians' services projected under the fee schedule are the same as those projected under the current payment system.

---

[3]Hsiao, et al., "Results and Policy Implications of the Resource-Based Relative Value Study," The New England Journal of Medicine, 319 (13): 881-888 (September 29, 1988.

The conversion factor should be updated annually. The formula used to determine the update should have as one element the difference between targeted and actual expenditures. I will describe how the formula would be used when I turn to expenditure targets.

Geographic Multipliers

The Commission recommends that the geographic multiplier reflect only variation in overhead costs of practice. The amount physicians receive for their time and effort, after subtracting overhead costs, should not vary by locality. Therefore, if physicians in two parts of the country provide the same quantity and mix of services to Medicare beneficiaries, they would receive the same net income from Medicare. This policy would reduce substantially the magnitude of geographic variation in fees.

Specialty Differentials

The Commission recommends that when a service provided by physicians in different specialties is essentially the same, the payment should be the same. Therefore, specialty differentials -- differences in payment to physicians of different specialties for the same procedure code -- would be eliminated under the fee schedule.

In some cases, physicians in different specialties provide different services under the same code, and yet receive the same payment, because distinct codes that would accurately capture these differences do not exist. These legitimate differences, when substantiated, should be recognized by establishing new codes. Identification of such coding changes would be part of the process for updating the relative value scale.

Assignment and Balance Billing

The Medicare Fee Schedule must be accompanied by policies to limit beneficiaries' financial responsibility for charges in excess of what Medicare allows. The Commission does not recommend mandatory assignment but proposes the following set of policies that together provide increased protection for beneficiaries:

- limitations on charges for unassigned claims to a fixed percentage of the fee schedule amount. These charge limits would replace current MAAC limits. Federal legislation in recent years has set two precedents for the amount of balance billing allowed. In one (overpriced procedures), the charge limit, after a phase-in period, was set at 125 percent of the Medicare allowed amount; in the other (the radiology fee schedule), the limit will be phased in to 115 percent.

- o elimination of balance billing for qualified Medicare beneficiaries. This requires clarification of the provision in the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) that requires state Medicaid programs to pay Medicare cost sharing for beneficiaries seeking this assistance who are not otherwise eligible for Medicaid, but who have incomes below the federal poverty level. The current legislation covers Medicaid payment of deductibles, premiums and coinsurance, but does not require physicians to accept the Medicare allowed charge as payment in full, as they do for other Medicare beneficiaries covered by Medicaid.

- o continuation of the Participating Provider Program and its payment differential that provides higher fees to participating physicians.

The Commission has concluded that the market for physicians' services does not function well enough to preclude the need for financial protection for Medicare beneficiaries. Without limitations on balance billing, beneficiary financial protection would suffer. On the other hand, the Commission does not recommend mandatory assignment. Limited balance billing would provide a safety valve concerning errors in setting fee schedule amounts and an opportunity for those physicians who are especially highly regarded by patients or who systematically take on the most difficult cases to be paid more than the fee schedule amount.

Impact on Physicians and Beneficiaries

The Commission has constructed simulation models to project the impact of the Medicare Fee Schedule on categories of physicians and beneficiaries. Table 1 shows the changes in Medicare payments for selected services. Note that fees for evaluation and management services, such as office visits and hospital visits, would increase and fees for many surgical procedures would decrease. Table 2 shows the impact on major specialties included in the first phase of the Hsiao study. Medicare payments would increase for family physicians and internists and decrease for thoracic surgeons, ophthalmologists, and radiologists.

The Medicare Fee Schedule would change the distribution of payments among geographic areas (Table 3). Using a geographic multiplier that reflects overhead costs only, payments to physicians in rural areas would increase. Those to physicians in very large metropolitan areas would decrease.

Table 4 shows the impact on out-of-pocket payment of coinsurance and balance bills for different categories of beneficiaries. All of the categories identified would experience a moderate reduction in costs, most of which would result from the limit on balance billing. Indeed, the percentage reductions in balance billing alone are much larger. The magnitude of these reductions is relatively uniform across the different categories of beneficiaries.

Transition

The Commission recommends a transition from the current payment system to full implementation of the Medicare Fee Schedule. This would give physicians and beneficiaries time to adjust, allow for midcourse corrections, and increase the chances that private payers will change their policies as Medicare changes are being implemented.

The transition must be designed to avoid disruption of the administration of the program by carriers. The Commission's plan would create a Transitional Fee Schedule that would retain customary and prevailing charge screens. It would base changes in prevailing screens on the difference between current payments and those projected for the Medicare Fee Schedule.

A projected fee schedule amount would be calculated for each service and procedure. Services would be grouped into categories that are relatively homogeneous, such as office visits and major operative procedures. For each category, the percentage difference between the fee schedule amount and the average allowed amount under current policy would be calculated.

For the first year of the Transitional Fee Schedule, the prevailing charge of each procedure would be changed by one-fifth of this percentage difference. Thus, for example, if office visits are to increase by 25 percent under the Medicare Fee Schedule, the prevailing charge for each type of visit would increase by 5 percent during this first year. For the second year of the transitional fee schedule, prevailing charges would be adjusted by an additional one-fourth. Comparable geographic adjustments to prevailing charges would also be included. We have discussed this approach with knowledgeable experts since the Commission meeting and expect to make refinements based on their advice.

Implementation of the Transitional Fee Schedule would begin about six months after enactment of the legislation. After two years of experience, the full Medicare Fee Schedule would be implemented. At this point, coding reforms and changes in locality boundaries would be implemented. In addition, prevailing and customary charge screens would be eliminated so that all services would be paid at the fee schedule amount.

POLICIES TO SLOW INCREASES IN EXPENDITURES

From 1980 to 1988, Medicare outlays for physician services tripled. Premiums now amount to $334.80 per year. Neither the taxpayers or the beneficiaries can afford continued increases of this magnitude. Decisive steps to slow these increases are needed now.

The preferred way to contain costs is to reduce the provision of those services that are unnecessary and inappropriate. In this way, access and quality of care would not be sacrificed in the course of slowing expenditure growth.

The Commission recommends that three policies be pursued:

- o giving physicians collective incentives to contain costs through expenditure targets,
- o increased research on effectiveness of care and development and dissemination of practice guidelines,
- o improvements in utilization management by carriers and peer review organizations (PROs).

Expenditure Targets

The Commission recommends that a national expenditure target for physicians' services under Part B be used to determine annual conversion factor updates under the fee schedule. The target would reflect increases in practice costs, growth in the number of enrollees, and a decision concerning the appropriate rate of increase in volume of services per enrollee. The last would reflect tradeoffs between beneficiary needs, technological advances, and affordability.

If actual expenditures during a year are equal to targeted expenditures, then the conversion factor update for the following year would be equal to the increase in practice costs. The update would be increased or decreased to reflect differences between actual and targeted expenditure increases.

As an example, assume that practice costs are increasing by 4 percent, enrollment is growing 2 percent, and volume of services is projected to increase by 7 percent per enrollee. This would lead to a 13 percent increase in expenditures. Now assume that a target of 11 percent is chosen, which would permit a volume increase of 5 percent. If actual expenditures rise 13 percent, then the conversion factor update for the following year would be 2 percent (4 - 2). If actual expenditures rise only 9 percent, then the conversion factor update would be 6 percent (4 + 2).

Expenditure targets are designed to stimulate efforts by the medical community to work with the Medicare program to increase knowledge of the effectiveness of services and to use this knowledge to increase the appropriateness of care. Encouragement would come from tying the annual update in the Medicare Fee Schedule conversion factor to the difference between the rate of increase in expenditures for physicians' services and the target rate of increase.

In order to allow time for the necessary infrastructure to control costs to develop, the Commission recommends that target rates of increase for the first few years not depart substantially from baseline rates of increase.

The Commission recommends beginning with a single target at the national level, but anticipates that the policy will evolve to one with multiple targets. For example, targets could be established for states or carrier areas or for categories of services (for example, separate targets for surgery and other services). Broadening the target to include the rate of hospital admissions is another possible direction. The Commission has already studied several of these options and will continue to do this work.

Expenditure targets would not alter the financial incentives for individual physicians and their patients. Rather, the incentives would fall to the physician community, which could respond through education and support of the existing infrastructure of medical review. For example, the American Medical Association and national specialty societies could develop practice guidelines and disseminate them. They could provide technical assistance to carriers and PROs in the development of criteria for review and political support for sanctions of physicians who persisted in providing care that is inappropriate and does not meet standards of quality.

Effectiveness Research and Practice Guidelines

The Commission recommends a substantial increase in federal support for building our knowledge of the effectiveness and appropriateness of medical practices and getting that knowledge to practicing physicians and their patients. We need to know more about which of our diagnostic tools work, and which patients would benefit from particular therapy. This knowledge is essential if we are to reduce unnecessary and inappropriate services.

To increase this knowledge, we need more research to determine the medical outcomes and the costs of alternative medical practices and procedures, and to determine the best ways to organize and provide care. This work would include clinical trials, epidemiological studies of data generated by clinical practice, analyses of the cost-effectiveness of alternative ways to organize care, and assessment of techniques used in managed care to influence physicians' clinical decisions.

The knowledge we have about effectiveness and appropriateness must be made available to physicians and their patients. Practice guidelines synthesize the best that we know from research and the judgments of practicing physicians, into a form that can be readily used. The Commission recommends that the federal government actively encourage the development and dissemination of practice guidelines so that they are incorporated into physicians' practices, made availble to patients, and used as the basis for coverage and payment, and for medical review criteria by hospital medical staffs, carriers, and PROs.

The Commission calls for the federal government to support practice guidelines through funding, coordination and evaluation. Funds should be used to support and build on existing private sector activities by the medical profession and others. Federal oversight should focus on insuring the integrity of the

process, including the quality of the methods used and of the resulting guidelines, and facilitating efforts among those involved in developing the guidelines to share information, identify issues and set priorities.

The federal government also has a role as administrator of Medicare. The Health Care Financing Administration should reinforce the importance of basing medical review on sound criteria by assisting PROs and carriers in selecting and using review criteria that are consistent with practice guidelines.

Utilization Review

The Commission supports the current efforts by HCFA to move toward a more comprehensive approach to medical review and calls for further actions to strengthen the review process.

If utilization and quality review are to be effective tools both to improve the quality and efficiency of care and to control the growth in Medicare expenditures, the Medicare program will have to create a comprehensive medical review system that looks beyond individual services to complete episodes of care. This requires systematic integration of information drawn from claims data, analysis of practice variations and peer review of physician practice.

To take on these responsibilities, it is essential that carriers and PROs have additional resources and time to build the necessary capacity. It will also require more administrative flexibility and the cooperation of the medical community. The Commission will discuss in its forthcoming report a number of specific recommendations to structure and focus the transition from the current system that has emphasized claims payment to one of comprehensive review.

INFRASTRUCTURE FOR PAYMENT REFORM

Successful implementation of the payment reforms described above will require investments in the administrative infrastructure of Medicare. We applaud recent efforts by HCFA to introduce a unique physician identifier, to incorporate diagnostic information on claims forms, and to develop a common working file including data from both Part A and Part B.

The Commission recommends two further changes to strengthen the ability to implement these payment reforms. First, Medicare should require providers to submit all claims, whether or not assignment is accepted. Second, HCFA should take steps to accelerate the trend towards electronic claims submission. The ability of the carriers to implement a fee schedule and expand their medical review activities is dependent on funding that is adequate and predictable. Unfortunately, this cannot be taken for granted. While funding for medical review activities of carriers was increased for the current fiscal year, the President's budget for 1990 would cut funding by 19 percent. In a program trying to hold back outlay increases in the range of $4 billion per year, attempts to shave spending for administration (in particular, medical review) are

poorly conceived. If we are to attempt major reforms in this program, we must assure that the administrative resources are there to carry them out.

CAPITATION

Some have expressed concern that certain types of prepaid health plans have failed to establish strong organizational structures and management systems and instead have relied heavily on financial incentives to physicians to control costs, posing a risk of underservice to enrollees. This concern led Congress in 1986 to prohibit HMO and CMP use of financial inducements to physicians to reduce or limit service to Medicare beneficiaries. The provision was not scheduled to take effect until 1990 in order to permit time to substitute a less sweeping limitation.

While use of financial incentives to physicians raise important concerns regarding patient care, broad prohibitions may not be in the interest of Medicare beneficiaries. First, we have no definitive information concerning whether or not risk-sharing arrangements now have an adverse effect on access or quality. Second, such restrictions could result in the termination of many HMOs' risk contracts with Medicare and reduce beneficiaries' access to prepaid plans. Medicare beneficiaries comprise a very small proportion of HMO enrollment, so restrictions on practices that HMOs consider important to their success could lead many to turn away from the Medicare program.

The Commission has developed proposals to restrict only the more problematic forms of financial incentives. It recommends that health plans limit the total risk assumed by physicians through some form of reinsurance or "stop loss" provision and that they rely primarily on incentives to groups of physicians rather than to individual physicians. Health plans should also disclose to both physicians and enrollees appropriate information on risk-sharing arrangements.

In addition to limitations on the use of financial incentives, the Commission recommends efforts to strengthen Medicare's external review processes applicable to prepaid plans and the conduct of periodic surveys of beneficiary satisfaction. Finally, the Commission recommends additional research to identify the effects of patient characteristics on the use of services and on the impact of risk-sharing arrangements on physician behavior.

CONCLUSION

Three years ago the the Congress created this Commission with a mandate to suggest policies to rationalize the payment for physicians' services by the Medicare program and to slow the rate of growth of

expenditures for these services. We believe that a Medicare Fee Schedule will serve to rationalize payments by tying them to resource costs. It will be simpler and easier to understand for both physicians and beneficiaries. It will promote better care and provide additional financial protection for beneficiaries. Expenditure targets will help slow the increase in Medicare expenditures so that we as a society can meet other pressing social needs. And increased effectiveness research and practice guidelines will provide us with the knowledge and means to manage available health care resources more wisely. With these changes, we believe that Medicare can continue to meet the medical needs of our elderly and disabled citizens.

Table 1. National Mean Allowed Charges in 1988 for Selected Procedures - Medicare Fee Schedule and CPR System -

		MFS $	CPR $	Change %
Internal Medicine				
	Office Visits			
90050	limited	29.3	22.8	24.2
90060	intermediate	35.3	28.0	26.2
	Hospital Visits			
90250	limited	33.3	25.9	28.5
90260	intermediate	40.1	29.7	34.8
	Other			
90620	comprehensive consultation	104.4	92.7	12.6
93000	electrocardiogram,complete	24.6	34.9	-29.5
71020	x-ray exam of chest	28.8	37.9	-23.9
Ophthalmology				
66984	remove cataract, insert lens	1163.3	1467.1	-20.7
92014	eye exam and treatment	39.4	41.7	-5.5
Orthopedic Surg.				
27130	total hip replacement	1954.5	2404.0	-18.7
27236	repair femur fracture	1187.4	1302.3	-8.8
27244	repair femur fracture	1188.0	1299.3	-8.6
General Surgery				
35301	rechannel of artery	1154.1	1573.4	-26.6
44140	partial removal of colon	1064.6	1255.8	-15.2
49505	repair inguinal hernia	405.0	587.9	-31.1
Urology				
52000	cystoscopy	111.1	104.9	5.9
52601	prostatectomy (TUR)	919.9	1128.0	-18.5
Radiology				
70470	contrast CAT scans of head	77.6	112.9	-31.3
71020	x-ray exam of chest	16.9	14.7	15.1
Thoracic Surgery				
33512	coronary artery bypass	2815.6	3894.4	-27.7

Table 2. **Percent Change in Medicare Allowed Amounts by Specialty Under Medicare Fee Schedule Compared to CPR System**

Specialty	Percent Change
Medical	
Internal Medicine	17.8
Family Practice	39.6
Dermatology	1.0
Surgical	
Ophthalmology	-16.4
General Surgery	-10.5
Orthopedic Surgery	-7.7
Urology	-4.0
Thoracic Surgery	-19.2
Otolaryngology	6.8
Obstetrics/Gynecology	0.6
Hospital Based	
Radiology	-25.3
Pathology	-24.2
Anesthesia	*na*
Other Physicians	4.9

Table 3. Percent Change in 1988 Medicare Allowed Amounts by Area Under Medicare Fee Schedule Compared to CPR System

Area[1]	Specialty Group	Percent Change
Very Large Metro		
	Medical	-1.2
	Surgical	-25.6
	All physicians	-14.3
Large Metro		
	Medical	17.4
	Surgical	-12.2
	All physicians	-3.0
Other Metro		
	Medical	26.4
	Surgical	-7.0
	All Physicians	3.0
Large Rural		
	Medical	31.5
	Surgical	-5.5
	All Physicians	12.8
Other Rural		
	Medical	38.4
	Surgical	-6.6
	All Physicians	15.1

[1] *Very Large Metro areas include counties in MSAs of 3 million or more populations, large metro includes counties in MSAs of 1 million to 3 million population, other metro area are all other metropolitan counties.*

Large rural (non-metropolitan) counties have population of 25,000 or more, other rural includes all other non-metropolitan counties.

Table 4. Change in Mean Beneficiary Coinsurance plus Balance Billing for Medicare Part-B Physician Services 1988 Under Medicare Fee Schedule Compared to CPR System - 120% Balance Bill Limit -

Beneficiary Category	Expenses in dollars and as percent change from baseline		
	CPR Baseline	MFS	
	$	$	%
All	216	163	-25
< 65 yrs	194	154	-21
65 - 74	214	157	-27
75 - 84	232	177	-24
85 + yrs	191	155	-19
Males	239	178	-25
white	246	182	-26
non-white	164	135	-18
Females	200	152	-24
white	209	158	-24
non-white	122	102	-16
Area			
very large metro	281	193	-13
large metro	233	180	-23
other metro	213	161	-24
large rural	188	143	-24
other rural	176	133	-25
Income			
poor	108	85	-21
near poor	194	148	-24
1.8 - 2.0 x poverty	210	162	-23
2.1 - 3.0 x poverty	237	180	-24
> 3.0 x poverty	263	192	-27
Hospitalized during year			
Yes	543	408	-25
No	116	88	-24

MEDICARE FEE SCHEDULE

Dr. LEE. Basically, we are recommending a Medicare fee schedule to replace the current customary, prevailing, and reasonable system of payment, which has proved to be quite inflationary. It has produced distorted incentives for physicians. It has resulted in much higher fees for some services and lower fees for others. For example, general practitioners in rural areas are probably among the lowest paid, in terms of the Medicare program, of any physicians.

We have also recommended that this fee schedule begin with a transition fee schedule beginning in April 1990, with full implementation of a cost-based fee schedule in 1992.

We are recommending a balanced billing limit of 115 to 125 percent above the Medicare fee schedule. We are recommending expenditure targets which would set a percentage increase in expenditures for each year and if those targets were achieved, physicians would receive their full fee update. If the targets were exceeded, the fee update in the subsequent year would be reduced. If expenditures were below the target, physicians would get an extra percentage increase in their fee update.

We are also recommending an expanded research program on effectiveness of care. We are recommending improvements in current utilization review procedures and greater involvement of the medical professional in the utilization review activities of the carriers and the peer review organizations. We are also recommending that the Federal Government provide adequate funding for both the Health Care Financing Administration and the carriers to carry out these responsibilities.

During the next 18 months we will be continuing to work on the fee schedule, development of a transition fee schedule, practice costs, and coding of office and hospital visits to more accurately reflect the work involved.

We will also continue our work in areas to control cost and improve quality. We will continue our work on expenditure target policies, utilization review, and practice guidelines, an area we think provides tremendous opportunity for improving the appropriateness of care provided.

The Commission is requesting $3.722 million for fiscal year 1990. This level would cover the full annual cost of a staff of 26, provide the resources to support their work, cover the expenses of Commission meetings, and permit the funding of grants and contracts for policy analysis and data development to augment the work of the staff.

This request represents an increase of $700,000 over fiscal year 1989 appropriation levels and reflects completion of the startup phase of the Commission's work in which its staffing and analytic activities have grown to their full operational levels.

The additional funds are required primarily to cover the cost of two major resources available to the Commission to develop its recommendations to Congress: the staff and the use of outside contracts with individuals and organizations for data analysis, targeted surveys, and convening of consensus panels and focus groups.

We are pleased with the accomplishments of the Commission in the past 2½ years in building a strong professional staff with a reputation for conducting high-quality analytic work, developing strong working relationships with interest groups, and developing timely recommendations that have been well-received by Congress.

We are glad to respond to any questions you may have, Mr. Chairman.

Senator HARKIN. Thank you very much, Dr. Lee, for your testimony. As I understand it, what you are asking for is an increase from $3,022,000 to $3.722 million.

Dr. LEE. Correct.

Senator HARKIN. A $700,000 increase. That would be about—what percent is that?

Dr. LEE. About 20 percent.

Senator HARKIN. A 20-percent increase. Well, now. Dr. Lee, the part B expenditures have been rising by 16 percent a year since 1980. Something has got to be done about it. The Physician Payment Review Commission has endorsed the idea of limiting physician payments under Medicare part B through a national cost-based relative value scale, as you mentioned.

Personally, I have got to tell you I am very concerned about the extreme geographic variations in physician payment, which have

put rural doctors at a disadvantage and have made it very hard for rural areas to attract new doctors. Senator Baucus has a bill in, of which I am a cosponsor, to increase that bonus from 5 percent to 10 percent for doctors that practice in rural areas. Let me just ask you this: when do you anticipate the RVS will be completed and ready for enactment?

Dr. LEE. Well, we would like to see Congress enact the full package this year, Mr. Chairman. We believe that the transition fee schedule can make a significant contribution both to controlling cost and improving those inequities. The full resource-based relative value scale would be implemented in April 1992.

Senator HARKIN. How is the RVS going to address the inequity in payments to doctors in urban and rural areas?

Dr. LEE. If you look at table 3 in the statement submitted to the Senate Finance Committee you will see the percent increases in payments for large and other rural areas.

There would be a 14-percent increase for all physicians in rural areas. There would also be significant increases in payments for family physicians, general internists, and other medical specialists. Payments for surgical procedures would decrease about 5 percent in large rural areas and about 7 percent in the other rural areas.

We believe the implementation of a resource-based fee schedule would improve access to primary care by providing more equitable payments to physicians. In previous years we had recommended increased payments for areas that were designated as underserved. Congress adopted those recommendations.

This proposal would go further than that. It would further address current inequities in physician payment. When the full implementation occurs there should be fairness in physician payment for both urban and rural areas.

Senator HARKIN. Well, I have got to tell you I get very nervous about this. Doctors from rural Iowa tell me their costs of practice are as high as those in cities. The data that we have seems to bear this out. Both the American Medical Association's socioeconomic characteristics of medical practice and surveys conducted by medical economics indicate that practice costs are indeed higher in rural areas than in urban areas and that this has been the case for several years. Do you have any studies saying that rural practice is less expensive?

Dr. LEE. No; the formula that we are proposing uses two components to derive the resource-based relative value scale. One is the work of the doctor, the other is the practice costs involved. We are getting updated data on practice costs so that the payments will reflect any increases in costs.

One of the things that leads me to believe that costs may well be higher in rural areas is that there are standby costs for general practitioners, that are not necessary for physicians in an urban practice. We will be gathering data on this and will include it in the practice cost portion of the fee schedule.

Senator HARKIN. So tell me, I understand you are proposing to use a geographic multiplier in this fee schedule. Now again, tell me a little bit more about it.

Dr. LEE. A second factor would be the geographic multiplier. First of all, the practice costs are part of the fee schedule, the rela-

tive value. When you have established a national fee schedule based on relative values, you have a dollar conversion factor so you convert that to a dollar payment for the physicians.

Then you look at the cost of practice or the overhead costs, by geographic area. We have not yet worked out all those geographic areas. One might use the current 240 carrier areas to make those initial estimates. In that case the geographic multiplier would be based on actual practice costs in those areas..

We are not going to include doctors' cost of living in the formulation of the multiplier. Only the actual costs—the office costs, the equipment, the staffing costs, would be included in the geographic multiplier.

Paul, did you want to say anything more about that?

Dr. GINSBURG. Yes; if I could add a few things. The overhead costs are reflected in this geographic multiplier by data on the prices that physicians face in different areas.

Actually, there are only three components that vary from one area to another. There's office rent, the wage rates for nonphysician personnel, and the malpractice insurance premiums. All of the rest of the costs that physicians face such as medical equipment, medical supplies and, as Dr. Lee mentioned, the physician input do not vary by area.

We have heard good testimony that costs of practice are higher in rural areas because rural physicians need to have more inputs and equipment to run their offices, because they do not have a hospital down the street to do the tests that they may want to order for their patients.

The Commission has conducted a survey of physicians which has asked focused questions to rural physicians on these issues. We have just gotten the results back and are analyzing them. We anticipate that if these data indicate that rural physicians need more inputs per service to provide their care, we would want to adjust the geographic multiplier to reflect that.

Senator HARKIN. Well, I just have to say that I am a little concerned about this, about differing on where they live and work. In 1983 we established a prospective payment system for hospitals. We put into place two pricing schedules, one for urban and one for rural hospitals. It sounds similar to this geographic multiplier.

I have got to tell you we created a real monster in that thing. The separate vehicle system has closed over 200 rural community hospitals.

Access to care is a question in many rural areas and so I get very uneasy when I hear things like geographic multipliers, separate but equal. I get very, very nervous about that.

Dr. LEE. The geographic multiplier in this case, Senator, could provide higher levels of payment if the costs are, in fact, higher in the rural areas. In other words, they correct for that. They really are not a two-track system.

Senator HARKIN. So you are not going to use assumptions that were used like in the prospective payments. They just assumed labor costs were cheaper.

Dr. GINSBURG. That's correct, Senator. It is my understanding that hospital payments in rural areas declined relative to urban areas under the prospective payment system. But under the fee

schedule the Commission is proposing, we anticipate that payments to rural physicians will increase about 13 or 14 percent at the expense of urban physicians.

Senator HARKIN. Say that again.

Dr. GINSBURG. We anticipate that fees to rural physicians will increase about 13 or 14 percent under the fee schedule compared to what they would have been under our current system.

Senator HARKIN. What will they do for urban ones?

Dr. LEE. They would decline.

Dr. GINSBURG. They would decline.

Dr. LEE. We are proposing a revenue neutral conversion factor. When the fee schedule goes into effect we are saying that it should be revenue neutral. Thus, there would be a gradual shift of money from urban specialists, particularly the surgical specialists, that is, cardiac surgery, ophthalmology, and radiology to primary care physicians and particularly primary care physicians in rural areas.

Senator BURDICK. What has been the discrepancy in the last few years between fees of the doctors in the cities and fees for doctors in the country? Is it much?

Dr. GINSBURG. We found that physicians in rural areas get paid an average of 15 or 20 percent less than the national average under the current system.

Senator BURDICK. The corrections you alluded to a moment ago, that does not completely make that even, does it?

Dr. LEE. Yes, sir; that is the purpose.

Dr. GINSBURG. It would not even it completely. I think the rural fees would still be a little bit lower than urban fees, but the difference would be dramatically narrowed from what it is today. So that rural physicians would gain substantially under the fee schedule.

Senator BURDICK. Why do you not make it equal and get it over with? [Laughter.]

Senator HARKIN. So, what you are talking about really is one system.

Dr. LEE. Yes, sir; absolutely.

Senator HARKIN. You mentioned the equipment, and I have been through this a lot out there. You say the equipment costs the same. Well, maybe yes, maybe no. I will give you a little leeway on that one.

But what I hear from doctors in rural areas is that this equipment is sometimes highly complex. It has to be adjusted or fixed. You get someone to drive 100 miles out to repair it or more and it costs a lot more and so I hope you factored that in and look at the cost of repair and upkeep.

Also, doctors in urban areas, I have been told, sometimes join together in a buying group, sort of like cooperative buying groups and they buy their materials in bulk, or they will get them through a hospital that buys them in bulk and they get a much cheaper price for a lot of their disposable supplies. Needles, things like that. Tongue suppressors. All the things that you use and throw away, and they actually get a cheaper price than doctors in rural areas.

I have looked at that through the prospective payment system and I hope you look at that too.

Dr. LEE. Yes, sir; we will definitely do that.

Senator HARKIN. Do you have anything else, Senator Burdick?

Senator BURDICK. Yes. Dr. Lee, there has been a lot of press devoted to the Hsiao study. You stated in your testimony that it is basically a good study but there are a number of deficiencies. Can you tell me what some of the visits and surgical procedures are that you believe need to be refined?

Dr. LEE. A number of the specialists who have testified before the Physician Payment Review Commission have identified some particular problems: cardiothoracic surgery, dermatology, pathology. Dr. Hsaio is working with all of the specialties that have had some complaints about the results of the study.

Two of the main concerns of the specialties were whether there were enough physicians surveyed who actually performed the procedures and whether the vignettes used accurately described the midrange of procedures surveyed. We are confident after a lot of discussions with Dr. Hsaio and a number of meetings with him and his staff that those problems will, in fact, be corrected.

We are also working on the practice cost issue, another area of widespread concern. Because Hsaio used old data, the relative values did not accurately reflect current practice costs.

We have also moved from Dr. Hsaio's study to develop global fees for surgery using a consensus process that consisted of a panel of surgeons and carriers. Instead of unbundling and identifying each specific service, we have put together a group of surgical services that will be included in a global fee, and we think that is an improvement.

Finally, the current coding system does not accurately reflect the work that is involved in visits. There is a lot of overlap, and misuse of codes. We are going to recommend the incorporation of time into these codes to improve their accuracy.

We are also conducting a log-diary survey of physicians. We will then have a consensus group of physicians working with us to correct the coding problems. With that work, we think that we can deal with all of the problems that have been identified in the Hsaio study cooperatively with Dr. Hsaio.

Senator BURDICK. As you know, nurses and perhaps other health care providers perform many of the services for which physicians are being reimbursed. We may get an argument there, but we will go from there. Such as blood transfusions, urinary catheterization, and physical exams. Can you tell me how your Commission is taking into account payment for those services which are provided by nurses alone or in conjunction with physicians?

Dr. LEE. Well, we will be looking specifically at those services. In addition, it is not only nurses, there are also services by chiropractors and other nonphysician professionals who are reimbursed under part B and we will be taking a separate look at those. We have not done that yet, but we intend to do that during the coming year.

Senator BURDICK. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Dr. Lee, Dr. Ginsburg, thank you both very much. There will be some additional questions submitted for your response.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RELATIVE VALUE SCALE

SENATOR HARKIN: When do you anticipate the RVS will be completed and ready for enactment?

DR. LEE: The Commission has developed specifications for each of the components of a Medicare Fee Schedule, including its relative value scale (RVS). We would like to see Congress enact the fee schedule this year, with a transitional stage being implemented about six months after enactment and the full fee schedule being implemented two years later in 1992. The Commission believes that early enactment with a transitional stage can make a significant contribution to controlling cost and removing inequities in the current system.

SENATOR HARKIN: How will the RVS address the inequity in payments to doctors in urban and rural areas?

DR. LEE: Both the RVS and the geographic multiplier used to make geographic adjustments to the Medicare Fee Schedule will affect the geographic distribution of payments among urban and rural areas. Replacing charge-based reimbursement with cost-based relative values has important geographic implications. Those localities in which the service mix is oriented more toward evaluation and management services -- primarily rural -- will gain from introduction of a cost-based RVS alone. The use of a geographic multiplier that accounts for overhead costs only will have an additional redistributive effect benefitting rural areas. Under the Medicare Fee Schedule proposed by the Commission, payments to physicians in all metropolitan areas would decline by 3 percent, while payments to physicians in all rural areas would increase by 14 percent. There would also be a significant increase in payments for family physicians, general internists and other medical specialists in rural areas. Payments for surgical procedures would decrease slightly by about 5 percent in large rural areas and about 7 percent in other rural areas as compared to a reduction of 26 percent in large metropolitan areas.

We believe the implementation of a resource-based fee schedule would improve access to primary care by providing more equitable payments to physicians. In previous years, the Commission had recommended increased payments for areas that were designated as underserved. Congress adopted those recommendations. The Commission's proposal for the Medicare Fee Schedule would go further to address current inequities in physician payment. When the full implementation occurs, there should be fairness in physician payments for both urban and rural areas.

SENATOR HARKIN: Do you think the RVS will affect the physician supply to rural areas?

DR. LEE: There are many factors affecting physicians' decisions about where to locate their practices. Reimbursement policy is likely to have some effect on those decisions. A fee schedule based on resource costs realigns

payments between procedures and evaluation and management services (commonly referred to as visits). This will provide more equitable payments to physicians in rural areas whose practices generally emphasize primary care services. In addition, the geographic adjustments to the fee schedule will provide more equitable payments to physicians with rural practices. It is uncertain just how much impact reimbursement policy has on physicians' location decisions, particularly when that policy applies to only one payer, albeit a major one, as is the case with the Medicare Fee Schedule. It can reinforce more direct policies to encourage physicians to locate in rural areas, as well as helping to retain physicians already practicing in those areas. The Commission thinks that the relation between physician supply and distribution and policies concerning physician payment requires careful consideration, and we have included analysis of these issues in our work plan for the coming year.

SENATOR HARKIN: Can we expect assignment rates to increase with enactment of the RVS?

DR. LEE: There is no evidence that would allow us to confidently predict the assignment decisions of physicians when the RVS is enacted. For that reason, we did not include behavioral assumptions in the Commission's simulations of the impact of its proposed fee schedule. The Commission's recommendation regarding limits on balance billing are meant to provide financial protection for beneficiaries under the fee schedule. In its plans to monitor the effects of the fee schedule, the Commission will be looking closely at assignment patterns.

SENATOR HARKIN: In the long run, will the RVS increase the number of primary care doctors relative to specialists?

DR. LEE: As is the case with physicians' decisions about where to practice, there are many personal and professional considerations that affect a physician's choice of specialty. A reimbursement policy that is consistent with other policies designed to encourage primary care practice is likely to reinforce efforts to train primary care physicians. A cost-based RVS will provide more equitable payment for the evaluation and management services that are at the heart of primary care practice. One would expect that this change would increase the attractiveness of primary care specialties to new physicians, since the choice of primary care over surgical or procedure-oriented specialties would not have as profound a financial impact as it does currently. If the RVS were used by payers other than Medicare, it is even more likely that payment policy would have an effect on specialty choice.

PHYSICIANS' PRACTICE COSTS

SENATOR HARKIN: Some surveys, such as the AMA Socioeconomic Monitoring System and Medical Economics, indicate that practice costs are higher in rural areas than in urban areas, -- and that this has been the case for several years.

o Do you have studies saying that rural practice is less expensive?

o Am I right in thinking there is no consensus?

DR. LEE: The data on the relative practice costs in urban and rural areas are inconclusive. The relationship between practice cost levels in the different areas changes from year to year, and also differs between larger and smaller metropolitan areas. In some years, rural costs might be higher than costs in large metropolitan areas, but lower than costs in smaller ones, and in other years, rural costs might be higher or lower than both. The Commission recently completed gathering practice cost data in its Survey of Physicians, some of which will be used to analyze this question further.

The Commission is quite concerned with determining the proper levels of payment for practice costs in all geographic areas. In analyzing our survey data, we will be looking into the question of physician productivity. That is, while nominal costs may be higher or lower in a particular area, what are the costs per patient contact, or per hour of service delivered? Preliminary indications are that rural physicians work longer hours than urban physicians.

The only conclusion that can be drawn thus far in the comparison of urban and rural practice costs is that there is no consensus. Many factors, such as extent of specialization, physician productivity, and other factors that are very difficult to study play a role in determination of costs of practice, as well as the output of the practice. The Commission will continue its work to clarify these issues in order to develop practice cost factors that equitably compensate rural physicians.

GEOGRAPHIC MULTIPLIER IN THE RVS

SENATOR HARKIN: We've tried geographic variations in hospital payments, and they don't work -- why not try one system for both urban and rural doctors and see if it works? Can you please supply the Subcommittee with the data to justify this position?

DR. LEE: The geographic multiplier proposed by the Commission involves using a single method for determining fees in both urban and rural areas. Overhead costs are reflected in this geographic multiplier by data on prices that physicians face in different areas. There are only three components that vary from one area to another: office rent, wage rates for nonphysician personnel, and malpractice premiums.

The Commission recommends that a uniform policy on defining charge localities to which the geographic multiplier will be applied is needed. It will work in conjunction with HCFA and its Medicare carriers to develop a specific policy in this area.

The Commission heard important testimony about costs of practice in rural areas. For example, rural physicians may need to have more equipment in their offices because they do not have hospitals nearby to conduct tests. To get good information on actual costs, the Commission conducted a survey of physicians. Our analysis of the data are just

beginning, and we would be happy to share our findings on rural practice costs as soon the data are ready. If the data show that rural physicians' practice costs need adjustment to account for their inputs, we would clearly want to adjust the multiplier.

Finally, we should emphasize that the multiplier methodology we are proposing would increase payment to rural physicians relative to current levels (by 13 or 14 percent). The fee schedule will have an overall effect of gradually shifting Medicare payment dollars from urban specialists, particularly the surgical specialties (such as cardiac surgery, opthamology, and radiology, to primary care physicians, and particularly toprimary care physicians in rural areas.

EXPENDITURE TARGETS

SENATOR HARKIN: There is a lot of discussion in Congress that, due to budget constraints, the RVS will be the basis for a fixed fee schedule, with physician payments limited further by a set of expenditure targets. I wholeheartedly agree that we need to get a handle on the costs, but I am concerned about the effect this might have on rural areas in my state and across the countray, which are already haveing a lot of trouble recruiting doctors.

- o Do you think uniform, capped physicians' fees might affect the availability of medical care in rural areas?

- o How could we formulate a capped expenditure plan that owuld provide incentives to attract doctors to underserved areas?

DR. LEE: Expenditure targets are part of a package of recommendations that the Commission is making. The Medicare Fee Schedule that the Commission recommends would increase fees in most rural areas. This may increase access to care in those areas. The Commission also recommends that access be monitored in all areas so that steps could be taken in response to low access. Expenditure targets --a term preferred rather than caps, since "cap" suggests that the money could run out before the end of the year -- would be introduced along with these other reforms.

In many ways, an expenditure target system would formalize current policy: Congress reduces the increase in prevailing charges below that implied by and index like the Medicare Economic Index (MEI) because expenditures have grown rapidly. With an expenditure target system, we would formalize this "feedback" of expenditures on physicians' charges, and would set in motion efforts by the medical profession to reduce unnecessary and inappropriate services. This is the key to expenditure targets: to create an incentive to meet the target by reducing unnecessary services. If the target is met, then physician fees increase with the MEI-like index.

Medicare expenditures and volume of services per enrollee are generally lower in rural areas than in urban areas. If rural areas have fewer unnecessary services, there will be less need to reduce volume in those areas. This may make rural practice more attractive than areas where there is more pressure to reduce services.

Separate targets could be set for different geographic areas, and higher targets (that allow more growth) could be set for areas that already have relatively low volume or expenditures per enrollee. This would allow low areas more room to grow without risk of losing their fee increases.

GROWTH IN VOLUME OF PART B CLAIMS

SENATOR HARKIN: As you know, the growth in the volume of physician services has not been spread evenly. There has been enormous growth in the number of procedures, but the number of office visits has remained relatively steady. At the same time, there is a general perception that we should encourage more office visits and less surgery.

- Under expenditure targets, how can we encourage preventive primary care treatment while constraining the growth in the number of procedures?

DR. LEE: Expenditure targets are designed to work by getting the medical profession and Medicare's reviewers (PROs, carriers, and intermediaries) to reduce unnecesssary and inappropriate services. The incentives in the current system can encourage the use of more expensive tests and procedures even in some cases when primary care services would have been of similar benefit. The intent of expenditure targets is for the medical profession to respond by increasing the use of appropriate services as well reducing inappropriate services, so this may increase the use of beneficial preventive and primary care services while decreasing the use of procedures. To assist physicians in making sound medical choices about the use of services, the Commission recommends that much greater resources be put into the development and use of practice guidelines, which specify appropriate care, and effectiveness research, through which we learn what services are effective and appropriate, and which services and procedures are not.

The Commission has also discussed the possibility of setting different targets for different kinds of services, or services of different specialists. However, it is often not clear what the target should be for a particular service. At this time, the Commission believes it a better strategy to focus effort on reducing unnecessary and inappropriate services of whatever kind.

MEDICAL EFFECTIVENESS RESEARCH

SENATOR HARKIN: The Commission has taken the approach I favor toward controlling costs, which is to limit the inappropriate use of services. We want to make sure that Medicare beneficiaries get what they pay for. As you know, the President's budget requests $52 million for the National Center for Health Services Research to conduct research on medical treatment effectiveness.

- What is the federal role in encouraging effectiveness studies and the development of practice guidelines?

DR. LEE: The federal government should support more effectiveness research and the development and use of practice guidelines. The Commission recommends several hundred million dollars more per year be made available for effectiveness research, with about one-tenth this amount for development and dissemination of practice guidelines. For the work on practice guidelines, the federal government could build upon and support the private sector rather than develop guidelines itself. Through the oversight that would accompany the funding, the federal government could ensure that the methods and processes used are of high caliber -- the use of peer review for effectiveness research and an open process using the best consensus methods for developing practice guidelines. The federal government could also set priorities and bring greater coordination to the private sector's efforts to develop guidelines and review criteria consistent with them. The federal government could also help its contractors for the Medicare program (PROs, carriers, and intermediaries) to adopt and use better criteria for utilization and quality review that are based on the guidelines.

PHYSICIAN EDUCATION PROGRAMS

SENATOR HARKIN: You note the Commission is looking at possible linkages between academic health centers and peer review organizations to develop physician education programs. I am interested in this idea, especially in its application to rural areas, where doctors tend to be more isolated from academic institutions and from their colleagues.

o What work has the Commission done so far in this area?

DR. LEE: The Commission has extensively reviewed the educational resources of the medical community at the national, state, and local level, and how these resources can be applied to the dissemination of practice guidelines, improving medical education, upgrading certification and licensure standards, and so forth. This review has included examination of continuing medical education programs, the role of state and local medical and specialty organizations, academic medical centers, hospital education organizations, and peer review organizations.

SENATOR HARKIN: What are your plans for developing education programs aimed at rural practitioners?

DR. LEE: The Commission has reviewed a number of programs that have involved rural physicians. While there is a great deal of variation in the structure, and effectiveness, of state and local programs, some offer significant promise. A notable example is a "mini-residency" program sponsored by the Texas Medical Foundation (the Texas PRO). This program provides intensive training in areas identified by the PRO as particular sources of quality of care problems. Many of the physicians taking these courses will be rural physicians, who enroll, at the request of the PRO or voluntarily, at one of a series of family training sites throughout the state (planned to minimize travel burdens on physicians). Several other PROs, including Colorado and Indiana, have also worked

closely with medical education groups and other professional organizations to develop innovative approaches to tailoring medical education to the specific needs of physicians throughout their states. Telecommunications links, such as cable systems linked to all hospitals, are also being used to disseminate information to rural physicians. The Commission will continue to monitor these types of activities and to encourage the expansion of those that appear to reach rural physicians most successfully.

SENATOR HARKIN: How does the Commission plan to disseminate its education programs to rural areas?

DR. LEE: The Commission has emphasized the need for the medical community to become more involved in the development, evaluation, and dissemination of practice guidelines. Professional organizations clearly need to take the lead in this area. The Commission has recommended that sufficient funds be made available to allow medical organizations to undertake large-scale developmental and educational activities designed to increase the effectiveness of medical practice.

PROSPECTIVE PAYMENT REVIEW COMMISSION

STATEMENT OF DR. STUART H. ALTMAN, CHAIRMAN

ACCOMPANIED BY DR. DONALD A. YOUNG, EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator HARKIN. Next, we will hear from the Prospective Payment Assessment Commission. Dr. Stuart Altman, Chairman of the Prospective Payment Assessment Commission, ProPAC. Also, I understand we have Dr. Donald Young, Executive Director of ProPAC.

ProPAC was created to assist Congress and the Secretary of Health and Human Services in monitoring Medicare's prospective payment system for hospitals. Dr. Altman, again, if you could summarize your testimony in 5 to 7 minutes that would be most appreciated. We will put your statement in the record.

[The statement follows:]

STATEMENT OF STUART H. ALTMAN

Mr. Chairman, I am Stuart H. Altman, Chairman of the Prospective Payment Assessment Commission. I am accompanied today by Donald A. Young, M.D., Executive Director of the Commission. I am pleased to represent the ProPAC Commissioners and present ProPAC's budget and appropriation request for fiscal year 1990.

As you know, the Commission was mandated in 1983, as part of the law which established the Medicare prospective payment system. We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and the Department of Health and Human Services. The 17 Commissioners are experts in health services delivery, financing, and research. We are appointed by the Director of the Congressional Office of Technology Assessment. Our work is supported by an Executive Director and a staff of up to 25 people.

Recent Commission Accomplishments

In the five years since ProPAC began its work, we have examined many important policy issues. ProPAC has brought to the attention of the Congress and the Secretary problems which we believe would compromise the effective delivery of high quality hospital care to Medicare beneficiaries.

In some cases the Secretary has accepted our recommendations for improvements to PPS. In a number of other important areas the Congress has legislated necessary changes. We believe that continuing adjustments are necessary to assure that PPS is responsive to constantly changing medical practice. Our most recent report, delivered to the Secretary March 1, 1989, contains a number of recommendations for improving PPS.

We also believe that it is important to evaluate the impact of PPS on the rapidly changing American health care system. Our next annual report to you, Medicare Prospective Payment and the American Health Care System, will be delivered in June 1989.

Fiscal Year 1990 Appropriations Request

Let me now turn to our fiscal year 1990 budget and appropriation request. We are proposing a budget of $3,797,000. This represents an increase of less than five percent over our fiscal year 1989 budget of $3,620,000.

Our funds are expended in two major categories: Administration and Management and Data Development, Analysis and Research.

Administration and Management ($2.622 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for an Executive Director and staff; for facilities, supplies, equipment, and travel; for communications with the public, including maintenance of an extensive mailing list, publication of three major annual reports, additional reports requested by Congress, a series of technical reports, and expenses associated with open public meetings of the Commission and its subcommittees; and for other administrative expenses associated with facilitating the work of the Commission.

Data Development, Analysis, and Research ($1.175 million)

This category represents funds from the proposed budget which are to be expended through grants and contracts with organizations and individuals outside ProPAC. We believe that an important Commission role is to identify, define, and develop solutions for problem areas in the prospective payment system. Because we wish to base our decision-making on the best, most recent and thorough data and information possible, a strong analytic commitment is

required. Analysis and data development which cannot be completed internally by the Commission's staff is thus included in this category of funding.

Our extramural data development and research budget and agenda for 1985-1990 is attached to our budget justification. In the attachment we describe the projects that have been completed, those that are ongoing, and those that are under consideration.

You will note, Mr. Chairman, that our extramural research budget remained constant at $1 million for three years. We requested an additional $250,000 for FY 1988. Due to the deficit reduction agreement, this amount was reduced to $1,146,000 for FY 1988 and FY 1989. We are requesting $1,175,000 for FY 1990.

Major Policy Analysis

One critical area of ProPAC policy analysis includes activities to support the development of recommendations regarding payment update factors for PPS hospitals and hospitals and units excluded from PPS. Related to updating PPS payments is the Commission's continuing concern for and focus on the special problems facing small, isolated rural hospitals. In addition, we continue to examine the special payment rules for teaching hospitals and disproportionate share hospitals. Another high priority in our policy analysis activities is the study of changes in DRG case mix and case complexity, or severity of illness.

Recent health financing legislation has required the Commission to undertake special studies in a number of areas. Five special reports were submitted to Congress in 1988 and three more will be submitted in 1989. These studies have received geographic adjustments in PPS payment, linkage of capital payments to hospital occupancy rates, outlier payments for burn cases, and payment for hospital outpatient surgery.

Finally, we will continue to examine trends in hospital costs, revenues, and financial condition. This work includes an examination of hospital utilization and expenditure trends. We are especially interested in understanding better the significant variations in costs across hospitals. This work will include an analysis of the mix of skills and services furnished by hospitals employees, including nursing personnel. We will also examine hospitals' use of other resources.

The Commission's second major area of work relates to improvements in case-mix measurements and the DRGs. We will continue to examine new technologies and changing medical practices, and develop recommendations to incorporate new medical advances and correct flaws in the current DRG structure. We are also continuing to analyze and better understand the reasons for the variations in costs and the use of resources within the individual DRGs.

Since the DRGs will always be an imperfect measure of case mix, we will continue examining the adequacy and appropriateness of current policies for payment of outlier cases. We will develop recommendations to improve these policies to better protect hospitals from the risks of especially costly cases if such recommendations are appropriate.

As you are aware, Mr. Chairman, since PPS was implemented, increases in inpatient hospital expenditures have moderated. Expenditures for services outside the hospital continue to grow, however. The Commission is concerned about this growth and the relationship between inpatient hospital costs and services and outpatient and ambulatory costs and services. Therefore, we are developing the capability to examine the services provided by hospitals (inpatient and outpatient), as well as those provided by SNFs, HHAs, physicians, suppliers and other providers. This

information will help us to better understand the changing patterns of services delivery, impact on quality of care and expenditures for the Medicare program and for beneficiaries. It also assists us in responding to Congressional requests.

Mr. Chairman, this completes my formal testimony. I would be pleased to answer any questions which you or members of the Committee may have.

PROSPECTIVE PAYMENT SYSTEM

Dr. ALTMAN. Mr. Chairman, thank you very much for having us appear before you this morning. As you know, the Prospective Payment Assessment Commission has been in business for 5 years and, in fact, on March 1 we submitted to the Congress and to the Secretary our fifth report, recommending a series of updates for the PPS system in fiscal year 1990. Let me just briefly review what our recommendations are for these updates.

First, we recommend that hospitals throughout the United States receive an average increase of 4.9 percent of their PPS payments. This average would be different for large urban hospitals, which would receive an update of 5 percent. And for rural hospitals, recognizing the differential problems they have had, we have recommended an increase of 5.6 percent. In addition, we have recommended a slight reduction in the teaching adjustment from 7.7 to 6.6 percent, which is a much smaller adjustment than is proposed in the President's budget.

In addition, the report describes at great length a series of other problems that we have been looking at over the last several years, and mentions that on April 1 we will be submitting also to the Congress our recommendations on how to move forward on a new ambulatory care surgery payment system.

To do this work, we have 17 commissioners who come from all over the United States and we have a staff of 25 professionals led by Dr. Young and we have worked quite well together—very well, I would say—and to make this all happen we are requesting from you for fiscal year 1990 a budget of $3,797,000. This represents an increase of 4.9 percent over our fiscal year 1989 budget of $3,620,000.

Let me focus for just a few seconds on a critical component of that budget: $1.175 thousand for data development analysis and research. What we have found as we have worked through this complicated system is the importance of timely and accurate data to help you, to help the administration, to help us all better understand this very complex system that we put in place in 1983.

We do not attempt to overlap or duplicate the work that is being done by others, but we have found that, in consultation with the Congressional Budget Office, GAO, HCFA, and other arms of our

Government, we have been able to put together an analytical effort which each year gets better.

It is by no means perfect. It still takes us too long to understand what is going on, but we are improving in that budget, in the activity and part of our budget request is for that.

In addition, we have found it very important that we institute several critically important analytical efforts. Several of them have been suggested, or mandated by the Congress, and we would use these funds to do these studies.

For example, we have five special reports which were submitted to the Congress in 1988 and three more will be submitted in 1989. These studies have reviewed geographic adjustments in PPS, which I know is of concern to you; linkage of capital payments to hospital occupancy rates; a very important issue of outlier payments, particularly for burn cases; and finally as I mentioned, our study on hospital outpatient surgery.

Finally, we will continue to examine trends in hospital costs, revenues, and financial conditions. I am sure you have heard, as most have, about what some consider to be the serious financial problems of hospitals, and we are looking at that the best we can and more importantly with respect to that, to understand what impact changes in hospital utilization and expenditure trends have on these.

We are especially interested in understanding better the significant variation in costs across hospitals. This work will include an analysis of the mix of skills and services furnished by hospital employees, including nursing personnel, and we will also examine hospitals' use of other resources.

The Commission's second major area of work relates to the improvement in our case mix index, and in order to make this system fairer we will continue to examine new technologies and changing medical practices and develop recommendations to incorporate new medical advances into the DRG's where possible.

So, Mr. Chairman, we believe that the Prospective Payment Assessment Commission has been an important component and we hope that in the months and years ahead we will be able to work with you and other members of your committee and other Members of the Congress. We stand here to serve you as best we can. Thank you very much.

APPROPRIATIONS REQUEST

Senator HARKIN. Let us see, the request you are asking for is for $177,000——

Dr. ALTMAN. $3,797,000, which is an increase of $177,000.

Senator HARKIN. Well Dr. Altman, let me just say in case you have not heard sitting here, I happen to be from a very rural area. I was born and raised in a town of 180 people.

People always ask me—my town's name was Cumming and they always ask me well, where is Cumming and I say it is about 5 miles from Norwalk, if that explains where it is. That is just about how rural it is. So I just want you to know where I am coming from on this prospective payment system.

You probably heard me mention earlier something about the fact that rural Americans account for about one-fourth of our population. About one-third of the elderly live in rural areas. One-half of those classified as poor, in poverty, live in rural America.

RURAL HEALTH PROBLEMS

Statistically, rural Americans have a higher rate of maternal and infant mortality; higher rates of chronic illness, disability; higher morbidity rates related to diabetes, cancer, high blood pressure, heart disease, stroke and lung disease, than people living in urban areas.

The rate of uninsured rural Americans is 15 percent higher than the U.S. average and a full 24 percent higher than those living in urban areas. Yet, our elderly safety net, Medicaid, is not helping out much. Only one-fourth of the rural poor qualify for Medicaid compared to 43 percent of the poor in inner cities.

Many rural occupations are hazardous—farming, mining, timber. There is a critical need for comprehensive emergency medical systems and accessible hospital care. I am working on legislation that will provide funds for equipment and training to meet that need.

As you heard earlier, I am also supporting legislation to give a 10-percent bonus to doctors who work in rural areas where they are needed the most. I also joined with Senator Rockefeller to make sure that Iowa's 12 rural health clinics remain viable. I have joined with Senator Bentsen to eliminate the urban-rural differential on the prospective payment system.

Well, I just want you to know why I am working so hard on rural health legislation. It is clear to me that we have a big problem on our hands. Since 1980, 206 rural community hospitals have closed and another 500 rural hospitals are on the brink right now. I am concerned about what that means for access to emergency care and for the elderly in rural areas who need access to care.

For Medicare, what is important to me is that we are getting what we pay for, and that is just really the crux of it. Medicare beneficiaries that live in rural areas pay the same premiums as Medicare beneficiaries that live in urban areas and yet it is very clear they are not getting the same services.

So this Commission that you head is one that I need to take a look at and to make sure that you make rural hospitals a priority in your research and recommendations to HHS and to this Congress. What I would like to ask is, what has ProPAC done to estimate the access problem we have in rural areas? What work is planned for fiscal year 1990, and as the next question, what about just doing away with that differential between urban and rural?

Dr. ALTMAN. Well, Mr. Chairman, I appreciate much of what you said and we at ProPAC very early on recognized that PPS was leading to differential problems for rural hospitals.

Now, it is inappropriate perhaps to sort of compliment oneself, but we were the first unit within Washington, aside from individual Members of the Congress, to begin to sort of raise that flag and we recommended from very early in the third year of PPS increases for rural hospitals which exceeded the average.

As a matter of fact, if you look back in the PPS system, I think we have to distinguish between the way it was set up and what has happened since that time. The way it was set up looked fair, but it turned out not to be fair. In fact it was not fair, as I see it and our staff identified two rural hospital problems you mentioned—access and differential payments.

Since the beginning of PPS, while the average increase of the update has been about 11 percent, sole community hospitals in rural areas have gotten a 20-percent increase and rural hospitals under 50 beds have gotten a 24-percent increase.

Now I am not suggesting that that alone is going to solve all the problems.

INCREASES IN RURAL PAYMENTS

Senator HARKIN. What were those increases in?

Dr. ALTMAN. The average increases of the update factor for the first 5 years averaged about 11 percent, average per year.

Senator HARKIN. That is not the increase in the payments they were receiving?

Dr. ALTMAN. This was the increase in the payment update. Now, I want to get to the total payments because there is more that gets added on. But the average increase was 11 percent, but sole community hospitals in rural areas got an average increase of 20 percent, and rural hospitals less than 50 beds got an increase of 24 percent.

Now, when you add to that update factor other adjustments for disproportionate share, for case mix, for teaching and so on, if you look at those, then, in fact, you begin to see the average 31 percent increase, where the rural in fact got 28 percent less.

The major reason for that is that rural hospitals, based on the case mix index, are treating less sick patients and so the big increases in the payments due to increases in case mix have gone to our urban, particularly our urban teaching, hospitals.

But rural hospitals under 50 beds did receive 35, almost 36, 35.8 percent increase, in total payments. So that there has been an attempt over the 5 years of PPS to bring rural hospital payments much closer to urban and as a matter of fact, if you look at the differential, on the update factor there is now a 12-percent difference where in the beginning of PPS the difference was significantly larger. So the update factors between the two are similar.

Now, the problem that you have identified, it deals with the total payments and there you are right. The difference between the average rural payments and the average urban payments is about 40 percent.

Senator HARKIN. The difference is about 20 percent.

Dr. ALTMAN. Yes; but the differences in cost are also 40 percent, so that alone, if you just take—and I am trying to be as accurate as I can—if you just look at cost containment, on Medicare alone, the system is much less discriminatory against rural hospitals.

Now, you say how can that be when I am hearing all these problems and they are real? I think the answer to that is reflected in other issues. One of importance is the one you mentioned and that

is, Medicaid payment for the uninsured is a significant problem for rural hospitals.

They just do not get paid for some patients, and the Medicare program does not pay them any extra payments for treating those patients that are not insured. Personally, I think that it is a travesty and I would sign up right behind Senator Pepper on that issue. So that is the first issue.

Second, the PPS system is very tough on hospitals that have declining admissions. It is a very admission-dominated system. It rewards the hospitals that are increasing, maybe even disproportionately, and penalizes hospitals that have declining admissions. And rural hospitals have suffered the most from declining admissions.

The old system, the cost-based system, was much more forgiving. This PPS system is much more market-driven and the fact that rural hospitals have had declines in admissions and low occupancy really hurts them.

We did a study of hospital closures and we will submit that to you shortly. It turns out that the majority of hospitals that closed did not cite Medicare or PPS as their major problem. They suffer from a whole host of problems, along with PPS and Medicare.

My own view is that even if we were to equalize the payment system it would not be enough, and, in fact, that may be the wrong way to help rural hospitals. I for one believe that the Congress should look carefully at setting up a special rural health care distress program and earmarking the funds better, rather than using the very complicated, large PPS system which is designed to pay every hospital and every patient bill throughout the country.

I do not think we will ever be able to fine tune PPS enough to help the hospitals you want to help and, in fact, in the process of trying to do that we may be distorting PPS so much that when we get finished with it we have not solved the problem we are trying to solve, which relates to the rural hospitals. And we have a system that does not work for any hospitals.

So I and the Commission are very sympathetic to those problems, and you can be assured that we are working hard to try to do the best we can. In the last several years we have done seven studies directed to rural hospitals in one way or another. It is the single biggest area for our research.

We did a special study of sole community hospitals. We did a special study of urban and rural cost differences and why they exist. We did a separate study of hospital closures, on hospital cost variations and admission patterns, and we will continue to do that and to the extent that you want us to do more, if you will let us know, we will try. I am sorry for the long answer.

COMMISSION MEMBERSHIP

Senator HARKIN. That is all right. How many people are on your Commission?

Dr. ALTMAN. We have 17 members on the Commission and we have a staff of 25.

Senator HARKIN. 17 members of the Commission and a staff of 25.

Dr. ALTMAN. Yes.

Senator HARKIN. The members—are they all physicians?

Dr. ALTMAN. No; I am not a physician. We have—several are, I think. The last number was—I always count them to make sure they do all the right things, but I think we had seven. Seven physicians. We have hospital administrators, including one from a very rural hospital.

Senator HARKIN. Can I ask you how many of those 17 people have practiced in rural areas? You probably do not know.

Dr. ALTMAN. Yes; I understand that we have one practicing physician from Utah. I would not necessarily define Salt Lake——

Senator HARKIN. Salt Lake is not quite rural.

Dr. ALTMAN. He is such a roundabout person, he does also practice in rural areas. We do have a rural hospital administrator from a small hospital in Kansas. We have a hospital administrator representing public hospitals. The Commission, thanks to OTA, has tried to balance the books and I realize that in the beginning when the first 15 members——

Senator HARKIN. I would like to take a look at that and see how many are rural. I do not know—how do you get appointed to this Commission, anyway?

Dr. ALTMAN. The appointment process is through the Office of Technology Assessment and each year there is a rotating system where members come up for renewal.

Senator HARKIN. I would just hope that there would be people on that—doctors, administrators, educators, people from rural areas that really have been out there and know it first-hand, just to have that kind of input. I am not saying that they are any better equipped or anything like that, but it does give a different kind of a focus.

Dr. ALTMAN. Let me say this. You can count the number of people—and I would not question the unique insight that people that live and come from these areas have, but you can be assured from this very urban person who is the chairman, I view the problem of rural hospitals as important as any we face, not from just the reasons you said.

I mean, access is important, but I also personally am very concerned with the cost of our Medicare system and I do not think we do our system justice, of taking and forcing an individual from a rural area to drive 50 or 100, or 150 miles to an urban hospital and then wind up paying 30 percent more for their hospitalization. So I am not sure that we do not lose on both sides, both access and cost, if not quality.

So, while I would not qualify on any of your checkpoints as a rural person, you can be assured that I am quite interested in it and concerned about that issue. How to deal with it is difficult, because as I said the problems go far beyond the Medicare system and I think require a much broader look at our total health care system.

Senator HARKIN. I have a couple more, but I would yield to my colleague, Senator Burdick.

REPRESENTATION OF COMMISSIONERS

Senator BURDICK. As I look over the papers on this subject, I find that ProPAC has 17 members.

Dr. ALTMAN. Yes, sir.

Senator BURDICK. I also find one represents rural areas. Is that correct?

Dr. ALTMAN. Yes, sir.

Senator BURDICK. Can we not change that a little bit?

Dr. ALTMAN. Well again, I have nothing to do with the appointment process. It is in the hands of the Office of Technology Assessment.

Senator BURDICK. I know that, but is there not some way that we, the people can change that?

Dr. ALTMAN. I am sure you could. We all serve at your pleasure.

Senator BURDICK. If it was at my pleasure we would have more than one. [Laughter.]

Dr. ALTMAN. There are, as you would expect, a lot of cross pressures for groups to be represented on the Commission.

Senator BURDICK. Seventeen to one, that is not quite fair. The health and the wealth of this Nation is out there where the grass grows.

Dr. ALTMAN. I hear you.

NURSING SALARIES AND PAYMENTS

Senator BURDICK. Well, let us change the subject a bit. Nurses salaries have increased significantly during the last few years. However, hospital payments for fiscal year 1989 and 1988 did not reflect those increases. Hospitals need to be paid sufficiently to pay the cost of quality nursing care. Could you tell me now, or how the updated factor takes into account the past salary increases as well as those expected?

Dr. ALTMAN. As I indicated, this recommendation by ProPAC is by far, some would say, our most generous, in the sense that we have tried to recognize on average the increasing cost of hospitals, as well as their declining profit margins.

We estimate that if the ProPAC recommendations were put into effect, hospitals on average could see an increase, an increase in their budget in total, of 10 percent. That would consist of about a 5-percent increase on average from the update, 2½ to 3 percent because of increasing case mix, and another 2½ to 3 percent because of an increasing number of admissions.

It would be the biggest increase in the last 5 years, to reflect, as you pointed out, two issues of concern. One is the declining profit margins of most American hospitals. And relating to that, it reflects increasing wages paid to our nursing personnel.

Now, with respect to nursing personnel, two comments. First of all, I for one have supported those increases and believe that they are long overdue. On the other hand, it is quite possible that over time a combination of the shortage of nurses and changing technology will reduce and probably need to reduce the staffing ratios of some of our hospitals.

But in the short run, we have tried to accommodate, maybe not as much as hospitals would want, but we have tried to take into account these higher nursing costs.

One other thing, we have recommended a change in the method whereby the update factor is calculated to reflect better these higher wages. Not perfectly, and the nurses and hospital administrators will tell you that the formula does not reflect dollar for dollar every increase they give in wages, but we have recommended that the formula would be more concerned with their increased wages than before.

Senator BURDICK. Thank you.

URBAN AND RURAL COMPARISONS

Senator HARKIN. Dr. Altman, in my home State of Iowa the bill for in-patient hospital care in 1987 came to over $1.1 billion. Of that amount, 34 hospitals in urban communities received 86 percent—that is $950 million—while Iowa's 93 rural hospitals received only 14 percent—$159 million. It seems to me that if we want to control costs we need to concentrate on the group of hospitals that are getting the 86 percent, and not necessarily on those that are getting the 14 percent. Across the country, what percentage of Medicare payments go to urban hospitals and what percent to rural hospitals? Do you have that broken down, and if you do not have it readily available just send it to me?

Dr. YOUNG. Yes; we have some related statistics. Urban hospitals comprise 51 percent of all hospitals. Rurals are 49 percent of hospitals. Urbans, however, are 75 percent of Medicare discharges and rurals are 25 percent of Medicare discharges.

As to PPS payments, urbans are 83 percent of payments and rurals are 17 percent of total payments.

Senator HARKIN. Even though they make up 49 percent?

Dr. YOUNG. Yes sir; and that is because rural hospitals first are considerably smaller than urban hospitals and second, the types of cases that they treat are generally less costly. They do not have the complex surgery and heart transplants and other kinds of things.

Senator HARKIN. I understand that; and the payments are lower. I understand that. But they also have a more conservative way of doing business too, I think. What is the average rural-urban differential in the DRG payments?

Dr. ALTMAN. The average differences in total payments are around 40 percent and the average differences in cost are around 40, but the update differential is about 12 percent.

Senator HARKIN. Again, my concern about this differential between urban and rural. I understand some of the data you have, but again, it just seems to me it comes down to an elemental question of fairness and whether those Medicare recipients in rural areas deserve the same kind of support in payments that those that live in urban areas receive.

Dr. ALTMAN. I agree with you.

Senator HARKIN. Whatever we can do to help in that regard, we stand ready to do so. Thank you very much.

Dr. ALTMAN. Thank you, Senator.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. We may have some more questions for the record that we might submit to you. We appreciate your testimony.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ACCESS TO HEALTH CARE

Question. Dr. Altman, I'm from a rural State, and rural health care is one of my top priorities. Just so you'll know where I'm coming from, I want to give you some facts about rural health and rural America.

Rural Americans account for one-quarter of our population, almost one-third of the elderly, and over one-half the poor. They have higher rates of maternal and infant mortality, chronic illness and disability, and higher morbidity related to diabetes, cancer, high blood pressure, heart disease, stroke, and lung disease than people living in urban areas.

The rate of uninsured rural Americans is 15 percent higher than the U.S. average and a full 24 percent above urban levels. Yet our "safety net," Medicaid, isn't helping out very much. Only one-fourth of the rural poor qualify for Medicaid, compared to 43 percent of the poor in inner cities.

Many Rural occupations are hazardous: farming, mining, and timber are among the most dangerous in the nation. There is a critical need for comprehensive emergency medical systems, and accessible hospital care. I am working on legislation that will provide funds for equipment and training to meet that need.

I am also supporting legislation to give a 10 percent bonus to doctors who work in undeserved rural areas. This will help attract doctors to where they're needed the most. And I'm working on legislation with Sen. Rockefeller that will make sure Iowa's 12 rural health clinics remain viable.

I have joined Senator Bentsen on his bill to eliminate the urban-rural differential, and guarantee rural hospitals that depend on Medicare won't lose money any more caring for senior citizens.

I am supporting legislation to increase the number of Sole Community Hospitals—our network of "critical access" hospitals—and ensure that Medicare will meet their necessary costs. I am also supporting legislation to help Iowa's six Rural Referral Centers.

Why am I working so hard on rural health legislation? It's clear to me we have a big problem on our hands. Since 1980, 206 rural community hospitals have closed, and another 500 rural hospitals are in serious financial trouble. I'm concerned about what that means for access to emergency care, and for the elderly in rural areas who need access to care. For Medicare, what's most important to me is that we're getting what we pay for. Medicare beneficiaries who live in rural areas pay the same premiums as those living in cities. Don't they deserve the same access to quality health care?

What has ProPAC done to estimate the access problem we have in rural areas? Is any work planned on this for fiscal year 1990?

Can you estimate the situation in the next 5 years?

ProPAC has planned a study on the changing demographics of our population. Does this study include an assessment of the rural elderly and their needs for access to care?

Answer. ProPAC is currently completing the first part of a study of hospital closures. We plan to continue this work and to specifically examine how the closure of a hospital affects access to care in both rural and urban areas. In addition, we are conducting a second study of rural areas specifically, examining where people live and where they receive services. It is likely that concerns regarding access to care in rural areas will continue over the next 5 years. Our study of the changing demographics of the elderly does not look at specific questions of access. The studies I mentioned previously are intended to do this.

MEDICARE PAYMENTS TO URBAN AND RURAL HOSPITALS

Question. In my home State of Iowa, the bill for inpatient hospital care in 1987 came to over $1.1 billion. Of that amount, 34 hospitals in urban communities received 86 percent ($950 million), while Iowa's 93 rural hospitals received only 14 per-

cent ($159 million). It seems to me that if we want to control costs, we need to concentrate on the group of hospitals that are getting 86 percent, and not on the group that's only 14 percent.

Across the country, what percentage of Medicare payments to urban hospitals, and what percent to rural hospitals?

What is the average rural-urban differential in DRG payments?

What is the average figure when you factor in the other elements of Medicare's payment: case mix and area wage index?

Answer. Fifty one percent of hospitals are urban and they account for 75 percent of all discharges and 83 percent of total payments. Forty nine percent of hospitals are rural and they account for 25 percent of the discharges and 17 percent of the payments. The average urban/rural difference in the base Medicare payment, the standardized amount, is about 12 percent. The average difference in total payments per case after adjusting for labor costs, the mix of cases, and other factors, is about 40 percent. There is also about a 40 percent difference in costs per case between urban and rural areas—that is, Medicare indicates that cost per case is 40 percent lower in rural hospitals.

ACCESS INDEX

Question. Dr. Altman, urban hospitals account for about one-half of PPS hospitals, but receive over four-fifths of Medicare payments. In addition to receiving higher DRG payments, urban hospitals get most of the extra payments for teaching, disproportionate share, and outliers.

As a result of this, more rural hospitals are closing than ever before and access to care threatened. I support the concept of an access index for hospitals that are necessary to providing access to care. An access index would recognize that these hospitals are vital to maintaining services to remote areas or special populations.

You have said that some rural hospitals may deserve payment more than their Medicare cost to ensure that access to care is maintained.

Has ProPAC done any work on this issue?

What is your opinion of an access index?

What is the feasibility of identifying "access critical" hospitals?

Do we have the data necessary to make this kind of determination?

Answer. We have not looked specifically at an access index. As I noted earlier, however, we have been greatly concerned about the question of access to care in rural areas and are currently conducting studies examining the effect of hospital closures on access and the question of where people live in terms of where they receive services. We will know much more about access to care for rural Americans when these studies are completed. Our recommendations related to sole community hospitals were developed specifically with the question of access in mind.

SEVERITY OF ILLNESS OR INTENSITY OF PRACTICE?

Question. It's generally accepted that rural hospitals practice a more "Conservative" style of medicine; they furnish less resource-intensive, and therefore less costly, care than urban hospitals. And we all know that payments to rural hospitals are much lower than payments to urban hospitals.

Medicare cost reports tell what services were provided to a patient in a certain diagnosis, but they can't tell how sick the patient was, or indicate whether the patient's outcome justified all those services.

Is it possible to distinguish between severity of illness and intensity of practice?

How precise are these measures?

Answer. We have expended a great deal of effort attempting to improve the ability to measure severity of illness. The DRG's work just as well as two other patient management categories and disease staging in measuring severity. None of these systems, however, is as precise as we would like. All of them distinguish to some extent between severity of illness and practice patterns. But I agree with you that there are large unexplained differences in the services furnished between urban and rural hospitals that relate to variations in the intensity of practice. We need to better understand these variations in intensity and assess and determine whether they really lead to improved health outcomes.

DISPROPORTIONATE SHARE

Question. I just spoke about rural poverty—over one-half our nation's poor living in rural areas, and only 23 percent of them qualify for Medicaid. Plus, the rate of

uninsured rural Americans is 15 percent higher than the U.S. average, and 24 percent higher than urban levels.

Hospitals that treat large numbers of indigent patients can qualify for "disproportionate share" payments. Yet under the current system, urban hospitals receive 96 percent of all disproportionate share payments.

Can you explain this to me?

Does this distribution fairly reflect our nation's poor population and the hospitals that treat them?

What research has ProPAC pursued on rural poverty and its effects on indigent care in rural areas?

Answer. The disproportionate share (DSH) adjustment is intended to account for the higher costs of treating low income Medicare patients. The adjustment is not intended to compensate hospitals for their indigent case load. The formula for calculating the DSH adjustment uses Medicaid and Supplemental Security Income (SSI) status as markers of low income status. The adjustment appears to appropriately reflect differences in the costs of providing services to low income individuals. We have presented general information in our past reports on the uninsured population and will provide additional information in our upcoming June report. We have not focused specifically on rural areas, however. The Office of Rural Health in the Department of Health and Human Services, I believe, has done some work in this area.

OUTPATIENT SURGERY

Question. I know that ProPAC and the Physician Payment Review Commission have formed a joint subcommittee to study the issue of outpatient surgery, and the enormous increases we've seen recently in the volume of Medicare claims for Part B services. Yet I'm hearing that rural hospitals feel prospective payment for outpatient surgery will hit them with their losses yet on Medicare. Yet.

How much of hospitals' revenues are coming from outpatient services versus inpatient services?

Is this similar for urban and rural hospitals?

Explain the impact on rural hospital margins of prospectively paying for outpatient surgery based on Ambulatory Surgery Center rates?

Explain how you can derive a fair payment rate in rural areas that don't have ambulatory surgery centers?

What projections are there rural hospitals will lose money on outpatient prospective payment? What can we do about that?

Answer. About 20 percent of total hospital revenues come from outpatient services, 75 percent from inpatient services, and the remaining 5 percent from other sources. Rural hospitals treat about 25 percent of hospital inpatients but only 19 percent of the ambulatory surgery cases. Currently outpatient hospital revenue is increasing almost 20 percent a year. In the budget reconciliation act of 1986 (OBRA 86), Congress changed the method of payment for outpatient ambulatory surgery to a blend of 50 percent hospital costs and 50 percent of the freestanding ambulatory surgery center rate. As a result of OBRA 86, per-case payments for both urban and rural hospitals will be less on average than they would have been under prior policy. Ambulatory surgery payments do not distinguish between urban and rural location as does PPS. Therefore, rural hospitals are on a more even footing. The free standing ambulatory surgery portion of the payment is based on a national amount and it is not necessary that there be a freestanding center in each rural area to calculate this amount. This use of a single national amount should be to the advantage of rural hospitals. The impact of the OBRA 86 changes on rural hospital margins depends on the ability of hospitals to control their costs and it is likely some hospitals will experience losses.

Question. What steps has ProPAC taken to ensure that the shift to PPS for outpatient services won't have the same effect on rural hospitals as prospective payment for inpatient services has had—that is, that rural hospitals will have the lowest margins of all hospitals?

Answer. Because the current policies for payment of ambulatory surgery, as well as ProPAC's recommended changes, do not distinguish between urban and rural location, rural hospitals should do relatively well compared to urbans. We are continuing our work in this area and will be closely examining the impact of the OBRA 1986 change as well as other changes in payment for outpatient services.

HOSPITALS' EXPENSES AND PAYMENTS

Question. Margins for all hospitals have decreased under PPS, although rural hospitals' margins have decreased the most. But I suspect that operating margins may have dropped for urban hospitals because they are spending more in their budgets—for salaries, for capital improvements, for marketing their services in rural areas.

Can you prove me wrong—can you explain to me how you can tell from a declining operating margin whether a hospital's expenses increased, or whether its payments were decreased?

Do cost reports provide this information?

What is the rationale for maintaining separate urban and rural DRG payments at this time?

Answer. A hospital margin is calculated using hospital revenues and hospital expenses. ProPAC has information on both payments and expenses. This information is obtained in part for the Medicare cost report. Recent PPS policy changes have resulted in rural hospital payments increasing somewhat faster than urban hospitals. Both groups of hospitals, however, have seen their costs per case increase faster than revenue per case, and hence the declining margins. Cost per case has increased about 10 percent a year in both urban and rural hospitals. The major rationale for separate urban and rural payment differences is the longstanding difference between urban and rural costs.

MEDICARE DIFFERENTIAL IN DRG PAYMENTS

Question. Your March 1 report indicates that eliminating the urban-rural differential would bring up the margins of rural hospitals that are losing the most money on Medicare, but might give something of a "windfall" to those at the top end of the scale. Yet you do not recommend eliminating the differential, because the problems of rural hospitals extend beyond Medicare payments alone.

Currently, most rural hospitals are losing money on Medicare. Will your recommended update for rural hospitals change this?

Your recommendation on to lower indirect medical education payments only slightly is based on other factors besides Medicare payments.

How do you justify the different approach ProPAC is taking toward these large urban teaching hospitals and rural hospitals?

Answer. Our recommended update for 1990 will continue to narrow the difference between urban and rural payments. Unless hospitals can reduce the average annual increase of about 10 percent in costs per case, its likely the majority of hospitals, urban and rural, will lose money on their Medicare operating business in 1990.

We do not believe we have taken different approaches for teaching hospitals and for rural hospitals. In all of our reports we indicated our concern for rural hospitals. We are recommending a reduction in the teaching adjustment for 1990 and will be considering additional reductions for the following year. It consistently has been our approach to recommend major policy changes be phased in over time to allow hospitals the opportunity to adjust to the changes. In its analyses related to rural hospitals as well as teaching hospitals, the Commission has examined factors beside Medicare payments.

TRENDS IN HOSPITAL CLOSURES

Question. Until 1985, there was a steady trend in hospital closures of more urban hospitals closing than rural hospitals. This reflects the fact that urban areas have many hospitals concentrated in a small area. But for the last 3 years in a row, more rural hospitals than urban hospitals have closed. Some of these closures create access problems.

Can you explain this situation?

Do you expect this trend to continue?

How far is it reasonable to expect the rural elderly to travel to get to a hospital—30 miles, 50 miles, more?

Answer. The percentage of rural hospitals that are closing is increasing, although as a percentage of hospitals in each area, a higher percentage of urban hospitals are closing than are rural hospitals. It is likely that closures in both urban and rural areas will continue. It is somewhat reassuring, however, that studies of rural hospital closure found that closed hospitals were in counties with almost twice as many beds as other areas where hospitals did not close. In other words, in many, but not all cases even, in rural areas when a hospital closes, other hospitals remain in the county. I can not give a good answer to such as whether, the nature of the patient's

medical and social needs, the capabilities of the hospital and its doctors and other things enter into the judgment.

PAYMENT ADJUSTMENTS

Question. Medicare pays hospitals according to the patient's diagnosis, with payments adjusted for the hospital's case mix and local wages. Some hospitals receive additional payments for teaching, disproportionate share, and outliers.

What proportion of these payments are made to rural hospitals, and what proportion go to urban hospitals?

Overall, what is the division of Medicare payments for inpatient hospital services between urban and rural hospitals?

Answer. The following table displays the information on Medicare payments:

TABLE 3-2.—DISTRIBUTION OF HOSPITALS, DISCHARGES, AND PPS PAYMENTS, BY HOSPITAL TYPE

[In percent]

Hospital type	Hospitals	Medicare discharges	Total PPS payments	Teaching payments	Disproportionate share payments	Outlier payments
All hospitals	100	100	100	100	100	100
Urban	51	75	83	96	96	90
Rural	49	25	17	4	4	10

OUTLIER PAYMENTS

Question. ProPAC has made a number of recommendations concerning outliers, payments made to defray some of hospitals' costs of treating atypical cases that have unusually long lengths of stay or extraordinary costs.

What percentage of outlier payments currently go to urban and rural hospitals?

Answer. Preliminary estimates of the distribution of PPS payments under current rules indicate that urban hospitals receive 92 percent of outlier payments, while rural hospitals receive 8 percent.

However, this is largely because urban hospitals are much more likely to treat cases with exceptionally high resource requirements. For instance, a recent ProPAC study (described in our March 1989 report) of the distribution of cases that represented the most severe financial losses showed that 86 percent of these cases were treated at urban hospitals. These cases represented an average of over $22,000 per case in potential losses for the hospitals that treated them.

Question. What percentage is the cumulative split since the start of PPS?

Answer. Our data on outlier payments for previous years indicate an urban/rural outlier payment split very similar to that estimated under current payment rules—about 90 percent/10 percent.

Question. How much does the average hospital lose on an outlier case?

Answer. In our March 1988 report, ProPAC estimated that the average loss on an outlier case under the policy then in effect was $7,200 (in 1986 dollars). The average loss per outlier case under current policy is probably somewhat greater that figure, since the current policy has the effect of concentrating outlier payments on fewer, more extreme cases. That is, the total amount of PPS payments and outlier payments is unchanged, but many of the outlier cases with the smallest losses under the previous policy are no longer considered outliers under the current policy.

Question. Does this amount vary for urban and rural hospitals?

Answer. ProPAC's latest estimate is that the average loss per outlier case for urban hospitals is about 10 percent greater than that for rural hospitals.

Question. In your opinion, are outlier payments providing the same "insurance coverage" to urban and rural hospitals?

Answer. As you point out, the evidence presented in our March 1989 report indicates that rural hospitals are not as effectively protected against risk as are urban hospitals. Outlier payment reduces the risk of loss from the most extreme cases by 37 percent for urban hospitals and by less than 25 percent for rural hospitals. For the smallest rural hospitals, this reduction is less than 20 percent.

However, it should also be pointed out that, as mentioned earlier, urban hospitals are much more likely to treat these most extreme cases; they account for 2.6 percent of all PPS discharges at urban hospitals, but only 1.3 percent at rural hospitals.

It also should be pointed out that, contrary to the first few years of PPS, rural hospitals are now paying a lower "premium" than urban hospitals for their outlier "coverage." The question is whether they would be willing to pay a higher premium for better coverage.

Question. On the subject of outlier payments, your March 1 report to Congress states that "some types of hospitals, particularly small and rural hospitals, are not as effectively protected against risk as others, particularly large, urban, and teaching hospitals." Your report says that much work remains to be done.

Question. What work is ProPAC planning in fiscal year 1990 on outliers?

Answer. There are several issues that will be addressed in the coming year. One, of course, is an examination of separate outlier thresholds for urban and rural hospitals, as suggested by the Secretary in the fiscal year 1989 final PPS rules. Other modifications in the methodology used to identify and pay for outlier cases will be examined.

Another issue on ProPAC's agenda for the coming year is an analysis of the financing of outlier payments. Currently, outlier payments are financed by a uniform percentage reduction in rates for all DRG's are reduced by the same proportion, even though outliers do not occur with the same frequency in all DRG's. This has the effect of subsidizing hospitals that treat cases in the DRG's with many outliers, at the expense of hospitals that treat cases in the DRG's with few outliers. Since urban hospitals tend to be in the former group and rural hospitals in the latter, the effect of changing how outlier payments are financed may help rural hospitals. We will know more about this issue as we pursue our analysis.

Question. Have the separate urban and rural outlier pools mandated by Congress in SOBRA (86) achieved equity in outlier payments to urban and rural hospitals?

Answer. By definition, there is equity in outlier payments to urban and rural hospitals, because the amount that each group contributes to the outlier payment "pool" is equal to what that group is expected to receive in outlier payment.

The question of whether outlier policy is equally effective for each group is much more difficult to answer. As stated earlier, there is evidence that the current outlier policy does not reduce the risk imposed by extremely costly cases for rural hospitals. However, rural hospitals are much less likely to treat extremely costly cases. As also stated earlier, key issue is whether rural hospitals are willing to have their DRG payment rates reduced in order to achieve a greater degree of protection against what is for them a relatively unlikely, but potentially cataclysmic, event.

Question. In the November 1988 report to Congress, ProPAC says that it hasn't addressed the issue of different set-aside amounts and uniform thresholds for urban and rural hospitals. ProPAC notes that this issue should be studied, and urges the Secretary to undertake the study.

Does ProPAC have the expertise necessary to undertake a study of the set-aside and threshold issues in outlier payments?

Answer. ProPAC has the expertise to undertake a study of these issues, and fully intends to do so. The issue of outlier payments has received a great deal of attention at ProPAC in recent years. We like to think that we have played an important role in helping to design the changes in outlier payment that were implemented for fiscal year 1989, and we expect to play at least as important a role in designing and evaluating potential improvements in the outlier policy in the future.

BACKGROUND OF COMMISSIONERS

Question. ProPAC has 17 Commissioners, one of whom is designated the representative for rural hospitals. If the makeup of the Commission reflected the makeup of the nation demographically, at least four of the commissioners would represent rural hospitals, since one-quarter of our population lives in rural areas. If we looked only at the elderly (Medicare) population, nearly 30 percent of the Commission members would need to represent rural areas.

How many of the Commissioners have experience in a rural hospital setting?

What kind of rural health expertise is there among ProPAC staff?

What steps has ProPAC taken to ensure that rural hospitals are represented adequately on the Commission?

Answer. The Commissioners are appointed by the Congressional Office of Technology Assessment (OTA). They are selected based on their general knowledge and expertise. One Commissioner was selected specifically because of extensive background in rural hospital administration. All of the Commissioners, however, have extensive

experience and are concerned about the problems facing all hospitals and particularly the Medicare beneficiaries they treat. Likewise, ProPAC staff are selected based on their strong knowledge and skills related to policy analysis and a commitment to public service. The staff does not represent specific interests. They bring to their jobs, at times, specific expertise. At other times they develop the expertise while on the job. A number of individual staff have worked in rural health settings and on rural health policy prior to their present position. There is not doubt in my mind, Mr. Chairman, that the needs and concerns of rural hospitals are well represented on the Commission.

HOSPITAL MARGINS

Question. Operating margins are a good indication of a hospital's financial situation, and Medicare margins let us know how a hospital is faring on treating Medicare patients. Medicare hospital margins for rural hospitals have been consistently lower than margins for urban hospitals. Rural hospitals were the first class of hospitals to have consistently negative margins—that is, they were losing money caring for Medicare patients.

What are the current average operating margins of urban and rural hospitals?

What are the cumulative operating margins since the start of PPS?

Answer. During the first 4 years of PPS, rural hospitals had lower margins than urban hospitals, as shown below:

	PPS1	PPS2	PPS3	PPS4
Urban	16.4	15.5	9.8	5.2
Rural	8.0	8.8	3.0	−0.7
Rural referral	9.4	14.2	8.7	4.3
Sole community hospitals	6.5	7.1	1.9	−1.8
Other rural	7.7	6.5		−3.5

Most of the changes the Congress has enacted to decrease the gap between urban and rural margins took effect after the fourth year of PPS, however. These include separate update factors and discharge-weighting the PPS standardized amounts. Therefore, the difference between urban and rural hospital margins may have continued to decrease during the fifth and sixth years of the program.

SOLE COMMUNITY HOSPITALS

Question. Another way to get at the "critical access" problem is through designated "Sole Community Hospitals." This designation was intended to protect isolated, access-critical hospitals. The program isn't working, and there is a lot of interest in beefing up this definition. ProPAC studied Sole Community Hospitals, and recommended more uniform criteria for getting the designation.

Why are Sole Community Hospitals doing the worst of all hospitals?

How many of these hospitals are likely to close within the next 2 years? Five years?

The Commission recommended some changes that would benefit Sole Community Hospitals, which the Secretary of HHS did not follow.

Why haven't you followed up—does ProPAC still support changes in the Sole Community Hospital designation?

How can we change the Sole Community Hospital designation so that it will provide genuine protection to "access critical" rural hospitals?

Answer. A number of improvements have been made in payment policy for sole community hospitals (SCH). In fact, since the beginning of PPS, per case payments to sole community hospitals have increased 37.8 percent compared to 32.5 percent for urban hospitals. As a result, operating margins, while less than those of all hospitals on average, are higher for sole community hospitals than they are for rural hospitals which are neither referral centers for SCH. I do not have any information from which I can predict SCH closures in the next 2 or 5 years. In the past this depended on Medicare payments, the hospital's success in controlling costs, admission patterns and other factors. As I have noted, the problems of these hospitals go far beyond Medicare's payment policies. As the Commission has indicated, it continues to support its previous recommendations for improvements in the designation of sole community hospital status to provide protection to access. Some improvements have been made. Others are still necessary.

HOSPITAL MARKET AREAS

Question. I understand ProPAC is looking at "hospital market areas"; that is, whether people are traveling out of their communities to use other hospitals.

Please bring the Subcommittee up to date on your findings, especially with respect to the elderly and their ability or desire to seek care outside their communities.

Are you looking into whether transportation systems are available, or whether access to care would be jeopardized by the loss of a local community hospital?

Answer. As I noted previously, we have two studies currently underway that examine where patients live in terms of where they receive services and availability of hospital beds in areas where a hospital closes. We will make this information available to you as we develop it. A comprehensive study of transportation services, however, is likely to be beyond the scope of ProPAC's responsibilities and resources.

MEDICAL ASSISTANCE FACILITIES

Question. Some States are experimenting with new models of health care delivery for rural areas that might not be able to support an acute care hospital. The Medical Assistance Facility under development in Montana is one approach, a sort of hospital-clinic hybrid. The rural hospital transition grant program, which I support, should stimulate some other alternative delivery models.

What kind of work is ProPAC doing to ensure that these alternative delivery models can be accommodated within prospective payment systems?

Answer. The rural hospital transition grant program is a very creative and innovative approach which I also support and which we will follow carefully. If this demonstration program is successful, then consideration of changes in Medicare payment policy will be necessary rather than attempting to force this system into PPS where it may not fit.

AREA WAGE INDEX

Question. I'm concerned about the impact of the nursing shortage and other shortages on hospitals' wage costs. Many hospitals are having to offer pay incentives to attract and retain health professionals. In a seller's market, it's especially difficult to attract these professionals to rural hospitals.

What research is ProPAC doing to determine the proportion of hospital's costs relating to wages?

With urban hospitals receiving higher payments than rural hospitals across-the-board, how can we help rural hospitals attract nurses and other health professionals?

Please explain ProPAC's recommendations on a wage index for professional and technical employees.

I'm also concerned about the effects of the area wage indices on rural hospitals. When recruiting professionals such as nurses, hospitals don't just look in the local area, but have to compete in State, regional, or even national markets.

What is the feasibility of implementing a statewide wage index, rather than the current system of local indices?

What would be the impact of this change?

Answer. ProPAC has done an extensive amount of work related to staffing shortages (including nurses) and adjustments to PPS payments to reflect labor costs. We have also carefully followed the work of the Nursing Commission. A study conducted by ProPAC staff on staffing shortages and hospital responses demonstrated that hospitals are using a wide range of approaches to meet their nursing needs. A copy of that study is available if you would like one.

ProPAC's recommendation regarding technical and professional employees relates to the structure and proxy measures used in hospital market basket. It is not related to the wage index. The effect of the recommendation is to give more importance to wage trends unique to the hospital industry. The Commission believes that the current market basket gives inadequate recognition to the unique characteristics of the hospital labor market, including recent increases in nursing wages.

Currently all rural hospitals in a State are paid using the same state-wide rural wage index. Urban areas, however, are paid using a wage index based on the MSA in which they are located. ProPAC has recommended that the wage indexes be updated using more recent data. The data, however, does indicate that wages are higher in urban than rural areas and that separate wage indexes for urban and rural areas are appropriate. We have also recommended improvements in the definitions of the hospital labor market areas to which the wage index is applied.

CASE MIX INDEX

Question. Your March 1 report mentions that case mix makes a much larger difference for most rural hospitals, and urges the Secretary to undertake an examination of case mix adjustments. ProPAC also recommends reducing the case mix index in fiscal year 1990.

Have case mix indices been measured fairly so far?

How have the case mix indices affected rural hospitals?

Why are you proposing an across-the-board reduction in case mix, rather than a reduction for only those hospitals that have unfairly benefitted?

Answer. We believe the DRG's generally do a good job in measuring the mix of cases in a hospital and hence the case-mix index. The problem we have struggled with is separating increase in case mix due to the complexity of cases treated from increases related only to improvement in coding and medical record keeping. Since the beginning of PPS, urban hospitals have had a greater increase in their case-mix index than rural hospitals. Your question regarding our recommendations for an across-the-board reduction in the update factor to remove the effects of upcoding and medical record keeping rather than selective reductions is a good one. In part we have lacked good data upon which to recommend more selective adjustments. The Commission will be re-examining this topic again this year to see if we can improve our data and methods for recommending this adjustment.

TEACHING ADJUSTMENT

Question. ProPAC has recommended decreasing Medicare's indirect medical education payments to teaching hospitals from 7.7 percent down to 6.6 percent. However, empirical evidence indicated that a reduction from 7.7 percent down to 4.4 percent would be justified.

Why is ProPAC recommending the smaller decrease?

What is the feasibility of establishing linkages between teaching hospitals and rural hospitals to provide practice experience in rural areas. Could medical education payments encourage this kind of linkage?

Answer. The indirect teaching adjustment is intended to account for costs of maintaining a teaching program, such as a more complex mix of patients, that are not otherwise recognized in the PPS payment formula. The level of the adjustment is determined by a complex statistical technique. The Commission's analysis included the use of this technique as well as an examination of the financial status of teaching hospitals. Based on all this information, the Commission decided to recommend a reduction of 1.1 percent this year and to examine the statistical technique and other factors further before considering a recommendation for additional reductions. This approach of recommending major payment changes over more than 1 year has been used previously by the Commission to allow hospitals time to adapt to the changes.

ProPAC has not examined broader issues of medical education and the relationship between medical schools and rural hospitals. Your idea is an intriguing one and perhaps could be raised with the Office of Rural Health in the Public Health Service.

PROPAC RESEARCH BUDGET

Question. How much of ProPAC's research and data development budget has been spent on rural research?

How many site visits have you made to rural hospitals, and how many to urban or large urban hospitals?

Have any ProPAC meetings focused primarily on rural hospitals?

What proportion of your fiscal year 1990 budget do you plan to devote to rural health?

Answer. The research and data development work funded by ProPAC relate to rural as well as urban hospitals. Therefore, it is not possible to give a dollar figure for research related to rural hospitals. It is substantial, however. Recent studies of particular importance to rural hospitals include the analysis of hospital closures, the study in rural areas related to where beneficiaries live and where they receive services, an analysis of urban and rural hospital cost differences, and a study of hospital cost variations under PPS.

The Commission holds its meetings in public session in Washington, D.C. The Commission has not conducted site visits to any hospitals in urban or rural areas.

The topic of rural hospital has been discussed during many Commission and Subcommittee meetings. Virtually all of our analyses related to distribution of hospi-

tals, discharges and payments, hospital case-mix index and margins present data related to rural hospitals. Since much of our work relates to both urban and rural hospitals, it is impossible to specify the portion of our budget devoted to rural health. I can say without doubt, however, that we have spent more of our time and resources in the past 5 years on rural hospitals than we have on teaching hospitals, disproportionate share hospitals, hospitals in large urban areas, hospitals in other urban areas or any other class or type of hospital.

MEDICARE DIFFERENTIAL IN DRG PAYMENTS

Question. Your March 1st report indicates that eliminating the urban-rural differential would bring up the margins of rural hospitals that are losing the most money on Medicare, but might give something of a "windfall" to those at the top end of the scale. Yet you do not recommend eliminating the differential, because the problems of rural hospitals extend beyond Medicare payments alone.

Currently, most rural hospitals are losing money on Medicare. Will your recommended update for rural hospitals change this?

Your recommendation on to lower indirect medical education payments only slightly is based on other factors besides Medicare payments.

How do you justify the different approach ProPAC is taking toward these large urban teaching hospitals and rural hospitals?

Answer. Our recommended update for 1990 will continue to narrow the difference between urban and rural payments. Unless hospitals can reduce the average annual increase of about 10 percent in costs per case, its likely the majority of hospitals, urban and rural, will loose money on their Medicare operating business in 1990.

We do not believe we have taken different approaches for teaching hospitals and for rural hospitals. In all of our reports we indicated our concern for rural hospitals. We are recommending a reduction in the teaching adjustment for 1990 and will be considering additional reductions for the following year. It consistently has been our approach to recommend major policy changes be phased in over time to allow hospitals the opportunity to adjust to the changes. In its analyses related to rural hospitals as well as teaching hospitals, the Commission has examined factors beside Medicare payments.

NATIONAL COMMISSION TO PREVENT INFANT MORTALITY

STATEMENT OF DR. HERMAN HEIN

PREPARED STATEMENT

Senator HARKIN. Our next witness is Dr. Herman Hein and we are taking the National Commission to Prevent Infant Mortality out of order. Dr. Hein informed me he has a plane to catch and so I am just taking him out of order. We are especially proud to have him with us today.

Dr. Hein is a professor of pediatrics at the University of Iowa and has a distinguished record of service to the State of Iowa in perinatal health care. We welcome you to the subcommittee, doctor, and please proceed with your remarks. Your full statement will be placed in the record.

[The statement follows:]

STATEMENT OF HERMAN HEIN

I WANT TO THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE TODAY TO REQUEST AN APPROPRIATION OF $400,000 IN FISCAL YEAR 1990 FOR THE ONGOING WORK OF THE NATIONAL COMMISSION TO PREVENT INFANT MORTALITY. THIS REQUEST IS BEING MADE TO ENABLE THE COMMISSION TO CREATE AN EFFECTIVE BASE OF SUPPORT FOR LONG-TERM EFFORTS TO IMPROVE MATERNAL AND CHILD HEALTH AND AN ONGOING MECHANISM TO ENSURE THE IMPLEMENTATION OF THE RECOMMENDATIONS IN THE COMMISSION'S REPORT TO CONGRESS AND THE PRESIDENT.

IN OUR TESTIMONY TODAY WE WILL JUSTIFY WHY IT IS CRITICAL THAT THE COMMISSION CONTINUE TO RECEIVE FEDERAL SUPPORT FOR ITS ACTIVITIES TO PROMOTE THE HEALTH AND WELL-BEING OF PREGNANT WOMEN AND CHILDREN. OUR FY 1990 APPROPRIATION REQUEST REPRESENTS A $100,000 DECREASE IN FEDERAL FINANCIAL SUPPORT FROM 1989. THIS LESSENING OF FEDERAL FINANCIAL SUPPORT IS BASED ON THE COMMISSION'S COMMITMENT TO OBTAINING PRIVATE SECTOR AND FOUNDATION FUNDING TO AUGMENT THE PUBLIC FUNDING OF $400,000 IN 1990. WE FEEL THAT PUBLIC/PRIVATE PARTNERSHIPS ARE CRITICAL FOR PROMOTING THE HEALTH AND WELL-BEING OF MOTHERS AND CHILDREN.

THE NATIONAL COMMISSION TO PREVENT INFANT MORTALITY WAS ORIGINALLY CREATED IN 1987 BY CONGRESS TO DESIGN A NATIONAL STRATEGIC PLAN TO REDUCE THE INCIDENCE OF INFANT MORTALITY AND MORBIDITY IN THE UNITED STATES. FROM INFORMATION GATHERED THROUGH PUBLIC HEARINGS, MEETINGS, ANALYZING PAST REPORTS ON THE TOPIC, AND SURVEYING INTERESTED GROUPS AND INDIVIDUALS, THE COMMISSION ISSUED ITS REPORT ENTITLED "DEATH BEFORE LIFE: THE TRAGEDY OF INFANT MORTALITY" IN AUGUST, 1988 TO THE PRESIDENT AND THE CONGRESS. THE REPORT FOCUSED ON ACTION ORIENTED STRATEGIES TO PROMOTE THE HEALTH AND WELL-BEING OF MOTHERS AND CHILDREN.

THE RECOMMENDATIONS OFFERED BY THE COMMISSION ARE GROUPED UNDER TWO MAJOR HEADINGS.

FIRST, THIS NATION MUST PROVIDE UNIVERSAL ACCESS TO EARLY PRENATAL AND PEDIATRIC CARE FOR ALL MOTHERS AND CHILDREN WITHOUT FINANCIAL, ADMINISTRATIVE, GEOGRAPHIC, EDUCATIONAL, OR SOCIAL BARRIERS. WE MUST PROVIDE EARLY CARE THAT IS HIGH-QUALITY, READILY ACCESSIBLE, AND APPROPRIATE TO THE HEALTH RISKS PRESENTED.

EMPLOYERS MUST MAKE AVAILABLE HEALTH INSURANCE COVERAGE THAT INCLUDES MATERNITY AND WELL-BABY CARE. GOVERNMENT MUST ASSUME RESPONSIBILITY FOR THOSE WHO LACK PRIVATE INSURANCE OR ARE UNABLE TO PAY. CONGRESS SHOULD SEE THAT MEDICAID MATERNITY AND PEDIATRIC SERVICES ARE AVAILABLE TO THOSE WITH INCOMES BELOW 200 PERCENT OF THE POVERTY LINE.

SECOND, WE HAVE GOT TO SET IN MOTION A BROAD-BASED, SUSTAINED EFFORT TO MAKE THE HEALTH AND WELL-BEING OF MOTHERS AND INFANTS A FRONT-ROW, NATIONAL PRIORITY. THE COMMISSION RECOMMENDS A NATIONAL CAMPAIGN TO BRING INFANT MORTALITY TO THE FOREFRONT OF OUR COUNTRY'S AWARENESS BE LAUNCHED AND THAT THERE BE ESTABLISHED A PERMANENT NATIONAL COUNCIL ON CHILDREN'S HEALTH AND WELL-BEING TO FOCUS EFFORTS ON PREVENTING INFANT MORTALITY AND REDUCING INFANT MORBIDITY.

IMMEDIATELY FOLLOWING THE RELEASE OF THE COMMISSION REPORT, AN ACTION PLAN WAS DESIGNED TO SET UP IMPLEMENTATION ACTIVITIES FOR THE COMMISSION'S RECOMMENDATIONS. FOUR PRIORITY AREAS OF ACTIVITY WERE OUTLINED IN THAT STRATEGIC ACTION PLAN:

FEDERAL/STATE/LOCAL INITIATIVES
PRIVATE SECTOR INITIATIVES
PUBLIC AWARENESS INITIATIVES
INTERNATIONAL INITIATIVES

IN IMPLEMENTING THE COMMISSION'S ACTION PLAN, THE GROUPS AND INDIVIDUALS WITH WHOM THE COMMISSION HAS WORKED AND IS CONTINUING TO WORK WITH INCLUDE:

- o FEDERAL OFFICIALS -- CONGRESS AND THE ADMINISTRATION
- o STATE OFFICIALS -- GOVERNORS AND LEGISLATORS
- o LOCAL OFFICIALS -- MAYORS AND OTHER COUNTY/CITY OFFICIALS
- o MEDIA -- TELEVISION, PRINT, RADIO AND OTHERS
- o PRIVATE SECTOR -- BUSINESS LEADERS AND COMMUNITY GROUPS
- o ASSOCIATIONS -- PROFESSIONAL, VOLUNTARY, AND ADVOCACY

SPECIFICALLY, THE CONTINUED EXISTENCE OF THE COMMISSION WILL INVOLVE ACTIVITIES IN THE PRIORITY AREAS DESCRIBED ABOVE WITH ADDITIONAL RECOMMENDATIONS AND STRATEGIES FROM THE COMMISSION'S REPORT BEING HIGHLIGHTED AND IMPLEMENTED.

THE IMPLEMENTATION ACTIVITIES PROPOSED FOR 1989 - 1990 INCLUDE,BUT ARE NOT LIMITED TO THE FOLLOWING:

FEDERAL/STATE/LOCAL INITIATIVES

UNIVERSAL ACCESS TO HEALTH CARE FOR PREGNANT WOMEN AND CHILDREN SYMPOSIUM

THE BROOKINGS INSTITUTION WILL CONVENE A SYMPOSIUM ON THIS CRITICAL TOPIC FOR US -- TO CLEARLY DEFINE WHAT UNIVERSAL ACCESS TO HEALTH CARE FOR PREGNANT WOMEN AND CHILDREN MEANS AND HOW IT IS TO BE ACCOMPLISHED. THE SYMPOSIUM WILL BE HELD THIS SUMMER AND WILL BE CO-SPONSORED WITH THE AMERICAN ACADEMY OF PEDIATRICS AND THE AMERICAN COLLEGE OF OBSTETRICIANS AND GYNECOLOGISTS. THE COMMISSION WILL BE ORGANIZING FOLLOW-UP STATE AND REGIONAL SEMINARS FOR POLICYMAKERS AT THE LOCAL AND STATE LEVELS AND PROVIDE A DOCUMENT OUTLINING THE SPECIFICS OF SUCH A NATIONAL PROGRAM.

FEDERAL LEGISLATION

THE CONGRESSIONAL COMMISSION MEMBERS (SENATORS BRADLEY AND DURENBERGER AND REPRESENTATIVES TAUKE AND ROWLAND) WILL BE INTRODUCING LEGISLATION IN EARLY APRIL AIMED AT INTEGRATING AND EXPANDING ACCESS TO PREVENTIVE HEALTH SERVICES FOR PREGNANT WOMEN, CHILDREN, AND FAMILIES. THE LEGISLATIVE PROPOSAL IS BASED ON

RECOMMENDATIONS IN THE COMMISSION'S REPORT TO CONGRESS AND THE PRESIDENT WHICH WILL ENABLE COMMUNITIES TO EXPAND ACCESS TO SERVICES AND PROMOTE THE HEALTH AND WELL-BEING OF MOTHERS AND CHILDREN.

STATE AND LOCAL ACTIVITIES

WE ARE WORKING WITH LOCAL COMMUNITIES -- SUCH AS GADSDEN COUNTY, FLORIDA --IN DEVELOPING AND OBTAINING FUNDING FOR COMPREHENSIVE AND COORDINATED PREVENTIVE SERVICE DELIVERY MODELS FOR PREGNANT WOMEN AND CHILDREN.

PRIVATE SECTOR INITIATIVES

WE ARE PRESENTLY WORKING ON SEVERAL JOINT INITIATIVES WITH THE PRIVATE SECTOR TO FOCUS ON THE PRAGMATIC ACTIONS THAT CAN BE TAKEN BY BUSINESSES TO SAVE MONEY IN BOTH THE SHORT AND LONG RUN.

PUBLIC AWARENESS INITIATIVES

THE COMMISSION REMAINS CONVINCED THAT IF THE PUBLIC KNEW AND UNDERSTOOD MORE ABOUT THE ISSUES WITH WHICH WE ARE DEALING, THEY WOULD BE MOVED TO TAKE ACTION. THE COMMISSION IS IN THE PLANNING STAGE FOR A NATIONAL PUBLIC AWARENESS CAMPAIGN THAT WILL TARGET BOTH THE CONSUMERS (FAMILIES) AND DECISION MAKERS (THOSE WHO SET POLICY ON VARIOUS LEVELS).

THE COMMISSION HELD A LARGE MEETING LAST FALL ENTITLED "A HISTORIC DAY FOR CHILDREN". THIS MEETING HAD TWO PARTS: THE MORNING SESSION WAS A CORPORATE SUMMIT FOR CHILDREN WHICH BROUGHT TOGETHER LEADERS IN BUSINESS AND INDUSTRY TO DISCUSS HOW THEY COULD IMPROVE THE LIVES OF CHILDREN; THE AFTERNOON SESSION WAS A GATHERING OF FORMER SECRETARIES OF HEW/HHS. THE SECOND SESSION WAS FILMED BY PBS FOR A DOCUMENTARY WHICH WILL BE AIRING APRIL 5, 1989 ENTITLED, "CARING FOR TOMORROW'S CHILDREN." THE COMMISSION IS WORKING WITH COMMUNITIES IN CREATING LOCAL FOLLOW -UP ACTIVITIES TO CENTER AROUND THE PROGRAM.

THE COMMISSION IS DEVELOPING OP-ED ARTICLES, PSAS, AND OTHER PUBLIC AWARENESS MATERIAL FOR THE COMMISSION MEMBERS TO USE IN THEIR HOME STATES AND COMMUNITIES. IN ADDITION, THE COMMISSION MEMBERS ARE SPEAKING AT BUSINESS/COMMUNITY CLUBS, MEETING WITH CORPORATE LEADERS, HOLDING TOWN MEETINGS, AND VISITING WITH EDITORIAL BOARDS ON THE IMPORTANCE OF PREVENTIVE SERVICES FOR WOMEN AND CHILDREN.

THE COMMISSION IS ALSO DEVELOPING PUBLICATIONS THAT PROVIDES A STATISTICAL SNAPSHOT AND EXPLANATORY NARRATIVE OF THE HEALTH STATUS OF WOMEN AND CHILDREN TODAY WHICH CAN BE USED BY POLICY MAKERS, MEDIA, AND ADVOCATES TO JUSTIFY THE NEED FOR INCREASED MATERNAL AND CHILD HEALTH SERVICES.

INTERNATIONAL INITIATIVES

THE COMMISSION IS WORKING WITH UNICEF TO CONVENE AN INTERNATIONAL SUMMIT OF HEALTH MINISTERS AND U.S. PRIVATE AND PUBLIC LEADERS TO CELEBRATE THE 10TH ANNIVERSARY OF THE INTERNATIONAL YEAR OF THE CHILD.

WE ARE DEVELOPING A "SISTER CITIES" PROJECT WHERE CITIES IN THE U.S. ARE PAIRED WITH CITIES IN OTHER COUNTRIES TO SHARE KNOWLEDGE ABOUT HEALTH PRACTICES FOR WOMEN AND CHILDREN.

IN SUMMARY, THE COMMISSION IS REQUESTING AN APPROPRIATION OF $400,000 IN FY 1990 TO IMPLEMENT THE PROGRAM PRIORITIES ESTABLISHED IN THE COMMISSION'S REPORT TO CONGRESS, ENTITLED "DEATH BEFORE LIFE: THE TRAGEDY OF INFANT MORTALITY".

THE COMMISSION FEELS STRONGLY THAT IT IS IN A POSITION TO PROMOTE THE HEALTH AND WELL-BEING OF MOTHERS AND CHILDREN THROUGH A VARIETY OF EFFORTS. WE WANT TO USE OUR MOMENTUM TO CREATE THE SOCIETAL COMMITMENT AND POLITICAL WILL TO MAKE THE FUTURE OF OUR CHILDREN A NATIONAL PRIORITY --IN BOTH WORDS AND ACTIONS.

THANK YOU FOR YOUR SUPPORT.

SUMMARY STATEMENT

Dr. HEIN. Thank you very much, Senator, and I appreciate your indulgence with my plane schedule and I thank you and the subcommittee for hearing our request today for a $400,000 appropriation for fiscal year 1990 for the ongoing work of the National Commission to Prevent Infant Mortality.

This request is being made to enable the Commission to create an effective base of support for long-term efforts to improve maternal and child health and an ongoing mechanism to ensure the implementation of the recommendations of the Commission's report to Congress and to the President.

In my testimony today I would like to briefly justify why it is critical that the Commission continue to receive Federal support for its activity to promote the health and well-being of children and pregnant women.

Our fiscal year 1990 appropriation request is $100,000 less than the previous request.

Senator HARKIN. You are asking for less money?

Dr. HEIN. We are asking for less money, Senator, and the reason that we are doing this——

Senator HARKIN. Others take note. [Laughter.]

Dr. HEIN. Is because we believe it is very important that we develop some initiatives with the private sector. We think the cooperative efforts of the public and private sector are most important in this critical area of promoting the health care of mothers and babies. We have worked extensively with representatives from the private sector and I can tell you they are more than willing to become partners in this effort.

The National Commission to Prevent Infant Mortality was originally created by Congress in 1987 to design a national strategic plan to reduce the incidence of infant mortality and morbidity as well in the United States.

We reviewed information gathered through public hearings. We analyzed past reports on the topic and surveyed interest groups and individuals. From that the Commission issued its report entitled, "Death Before Life: The Tragedy of Infant Mortality" and this was released in August 1988 to the President and to Congress.

The report focused on action-oriented strategies to promote the health and well-being of mothers and children and I can tell you, Senator, we reviewed a tremendous amount of materials. My copied materials are down to about 3 feet in my office now. We took a very careful look at all of the data in this area that had previously been accumulated.

Now, the recommendations offered by the Commission are grouped under two major headings. First, this Nation must provide universal access to early prenatal and pediatric care for all mothers and children without financial, administrative, geographic, educational, or social barriers. We must provide early care that is high quality, readily accessible, and appropriate to the health risks presented.

The employers must make available health insurance coverage that includes maternity and well baby care. The Government must assume responsibility for those who lack private insurance or are

unable to pay, and Congress should see that Medicaid, maternity, and pediatric services are available to those with incomes below 200 percent of the poverty line.

Second, we must set in motion a broad-based, sustained effort to make the health and well-being of mothers and infants a front-row national priority. The Commission recommends that a national campaign to bring infant mortality to the forefront of our country's awareness should be launched and that a permanent National Council on Children's Health and Well-being should be established to focus efforts on preventing infant mortality and reducing infant morbidity.

Now, immediately following the release of the report an action plan was designed to implement the Commission's recommendations and four priority areas were outlined in that plan. First, Federal, State, and local initiatives. Second, private sector initiatives. Third, public awareness and fourth, international initiatives.

In implementing the Commission's action plan the groups and individuals with whom the Commission has worked and is continuing to work include Federal officials, including, of course, Congress and the administration, State officials, Governors, and legislators; local people including mayors, county and city officials; the media—television, print, radio, and others; the private sector as I have already mentioned; business leaders, community groups, and professional voluntary and advocacy associations.

The continued existence of a Commission will allow continuation of implementation of the areas that I have already described, as well as additional needed areas which we have described fully in our Commission report.

The implementation activities proposed for 1989–90 include, but are not limited to the following: for example, under Federal, State, and local initiatives, to get at the issue of universal access we have developed a symposium in conjunction with the Brookings Institute which will convene next summer.

This symposium will be cosponsored with the American Academy of Pediatrics and the American College of Obstetricians and Gynecologists, and the Commission will be organizing followup State and regional seminars for policy makers at the local and State level and to provide a document outline of such a national program. As I said, this will be held next summer.

In terms of Federal legislation, congressional Commission members will be introducing legislation in early April which will be aimed at integrating and expanding access to preventive health services for pregnant women, children, and for their families. The legislative proposal is based upon recommendations in the Commission's report to Congress and will enable communities to expand access to services and promote the health and well-being of mothers and children.

In terms of State and local activities, we are working with local communities, for example, in your old friend Lawton Chiles' county of Gadsden County, FL, we are putting together a program which will coordinate a number of activities which, heretofore, have not been coordinated in the best interest of mothers and babies.

PRIVATE SECTOR INITIATIVES

We are working on several joint initiatives with the private sector to focus on pragmatic actions that can be taken by business to save money by promoting well-known preventive health measures.

PUBLIC AWARENESS INITIATIVES

The Commission remains convinced that if the public knew and understood more about the issues with which we are dealing, they would be moved to take action. The Commission is in the planning stage for a national public awareness campaign that will target both the consumers—in other words, the families—as well as the decisionmakers.

We held a large meeting last fall which was entitled "A Historic Day for Children." This meeting had two parts. The morning session was a corporate summit for children, which brought together leaders in business and industry to discuss how they could improve the lives of children.

The afternoon session was a gathering of former Secretaries of Health and Human Services, and by the way this is the first time this ever had happened. The second session was filmed by PBS for a documentary which will be aired April 5, 1989, entitled "Caring for Tomorrow's Children." The Commission is working with communities in creating local followup activities to center around this program.

INTERNATIONAL INITIATIVES

We are working with UNICEF to convene an international summit of health ministers and U.S. private and public leaders to celebrate the 10th anniversary of the International Year of the Child. We are developing a sister cities project, where cities in the United States are paired with cities in other countries to share knowledge about health and health practices for mothers and children.

In summary, Senator, the Commission is requesting an appropriation of $400,000 in fiscal year 1990 to implement the program priorities established in the Commission's report to Congress entitled "Death Before Life: The Tragedy of Infant Mortality."

We feel strongly that the Commission is in a position to promote the health and well-being of mothers and children through a variety of efforts. We want to use our momentum to create the societal commitment and political will to make the future of our children a national priority in both words and actions. Thank you very much for your support.

Senator HARKIN. Thank you very much for your testimony, Dr. Hein. Iowa was just recently in the news. We have one of the lowest rates of infant mortality in the entire United States and I think a lot of credit goes to you and others in Iowa who have set this perinatal program, how many years ago?

Dr. HEIN. We started that in 1973.

Senator HARKIN. Sixteen years ago, so it pays off.

Dr. HEIN. It certainly does.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Well, thank you very much for your testimony. I respect your desire to get out to the airport. We have some questions we will be submitting to you in writing.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

U.S. and International Infant Mortality Rates

QUESTION: With all we know about how to prevent infant mortality, it is shocking and disappointing that the United States ranks 18th among industrialized nations in infant mortality rates. In 1986, 38,891 babies died before their first birthdays; infant mortality rose in 15 states and in Washington, DC; the non-white infant mortality rate was up in 19 states and in DC.

At the same time, Iowa was just in the press recently for having one of the lowest infant mortality rates in the nation. You deserve a lot of the credit for that, for setting up our statewide perinatal care program 16 years ago.

-- Can our Iowa program be translated into a national program?

ANSWER: Many of the features of the Iowa statewide perinatal care program can be translated into a national program. It is critical that we begin to focus on the regionalization of services for pregnant women and children. Regionalization of maternal and child health services marshals the scarce resources available for high risk neonatal and obstetrical care into tertiary centers large enough to sustain the cost and commitment of a regional program. Technology transfer is institutionally focused to provide maximum benefit to patients and thereby reduce perinatal mortality and morbidity.

Rural Infant Mortality Rates

QUESTION: The Commission's report notes that infant mortality rates are highest in the inner cities and in the rural South. I'm interested in the breakdown.

-- What do you find when you look at the statistics within states by inner cities, suburban and rural areas?

ANSWER: Babies born in mon-metropolitan areas are at slightly greater risk of infant death than their metropolitan counterparts. But the metropolitan areas combine inner cities and suburbs. When considered alone, babies born in the urban core of America's large cities are at the highest risk of death during infancy among all American children. Fourteen percent of live births are to residents of large cities, but eighteen percent of infant deaths occur in these cities.

Rural areas have some very unique access problems -- lack of transportation systems and the shortage of physicians providing prenatal and obstetrical care are predominant.

One -Stop Shopping

QUESTION: The Commission recommends integration of federal programs such as WIC, Maternal and Child Health, family planning, and mental health services, and co-location of these programs at the community level.

-- What are the current barriers in federal law to this kind of client-centered "one-stop shopping"?

-- What kinds of costs are involved in co-locating and coordinating these services?

-- Can you estimate the savings we might achieve by coordinating the delivery of these services?

ANSWER: The "Healthy Birth Act of 1989" (HR 1710 and S 708), introduced by Commission members Senators Bradley and Durenberger and Reps. Rowland and Tauke, provides funds to the states to develop "one-stop shopping" client-centered delivery models at the local level for pregnant women and children.

While federal law does not prohibit the development of client centered models at the local level for health and social services, current federal funding streams and administrative structures often erect barriers for the states. Moreover,there are conflicting federal eligibility and reporting requirements for the various health and social service programs.

It is hard to estimate the initial or up-front costs of co-locating services at the local level; costs will include developing unified client information and management systems, training of staff, and hiring of outstationed staff. However, in the long run we estimate that the co-location and coordination of services will lead to cost savings by eliminating a number of administrative and bureaucratic costs resulting from separate location and administration of programs. Moreover, as more families access the necessary preventive care they need there will be long term cost savings.

Public Relations Campaign

QUESTION: We already know how to reduce infant mortality -- prenatal care for mothers makes all the difference. The Commission is proposing an extensive public relations campaign to "make the health and well-being of mothers and infants a national priority." What kind of campaign have you planned?

-- When do you expect this campaign to begin, and how long will it run?

-- Do you plan to seek private sector support for the public relations campaign?

-- How do you plan to work with the states in implementing this campaign?

ANSWER: The Commission is proposing an extensive public relations campaign to "make the health and well-being of mothers and infants a national priority."

The campaign is in the planning stages. We hope to obtain funding to produce generic materials which can be used by states and local communities at no or low cost. The campaign should be available within the next six to nine months and run for at least two years. The campaign will be financed largely from private sector funds. The Commission will work with state and local health and human service officials as well as community leaders in the implementation of the campaign.

Private Sector Initiatives

QUESTION: You testified that the Commission will be seeking private sector funding, and is currently working on several joint initiatives with the private sector.

-- Please describe these initiatives for the Subcommittee.

A number of corporations have signed a corporate statement of principles that states that preventing infant mortality is not only sound fiscal policy, but important social policy.

-- What activities are you pursuing with these corporations?

ANSWER: The Commission is planning a series of initiatives necessitating private sector involvement as well as private sector funding. The Commission's report recognized that the private sector, as the provider of health insurance for the majority of Americans, must be involved in increasing and improving health care services for pregnant women and infants.

The initiatives include the Corporate Statement of Principles, which the Commission has been seeking support for since early 1988. It also includes a series of activities relating to public awareness. These include the development of a bill stuffer for corporations to include in their consumer bills or employee checks; the development of a national public awareness campaign with generic materials that can be provided to states and other localities; the production of a video and a film on the subject of infant mortality; a symposium on universal access to health care for pregnant women and children at the Brookings Institution; the development of business/health coalitions. All of these activities would be accomplished with a combination of public and private funding.

The Corporate Statement of Principles solicits and measures the commitment of corporate America to the problem of infant mortality as well as to potential solutions. Once the corporation is committed the Commission pursues activities designed to translate that commitment into practical programs both within the corporation and the community. The Commission is developing bill stuffers for these corporation to mail out to the public for the purpose of public awareness and education. The Commission has also provided these corporations with articles for their newsletters. The Commission seeks to develop generic materials that these corporations can use to educate their employees about prenatal and well child care. The overall goal is to provide the corporations with model programs that provide employees with maternity and well child care in a cost-effective manner, leading to the corporate adoption of these health care programs for their employees.

Term of the Commission

QUESTION: As authorized in the Omnibus Budget Reconciliation Act of 1987, the National Commission to Prevent Infant Mortality was supposed to study infant mortality, publish a report, and go out of business. Then statute was changed to extend the life of the Commission indefinitely.

When the Commission requested funds for Fiscal Year 1989, we were told it was the final request. Now you're asking for more funds.

The Commission's report notes that "a single entity, such as a permanent council on children's health and well-being, could serve as a national focal point for developing and

executing a public awareness campaign on infant mortality." And I see you are planning just such a public awareness campaign

-- Tell me, does the Commission intend to wrap up its work this year, or are you becoming the permanent council on children's health and well-being?

-- You also mentioned seeking private sector support for the Commission's activities. Can the Commission be supported through private contribution?

ANSWER: We are requesting funding for FY 1990 to be able to continue our activities in support of the health and well-being of women and children. It is too early to predict if there is support or means for a permanent council on children's health and well-being. We feel the ability to implement the recommendations of our report to Congress and the President and encourage discussion is important.

It is critical that private sector support be obtained to augment the public funding. Ideally the Commission could operate as a private-public sector entity.

Home Visiting

QUESTION: The Commission has recommended that States develop or expand home visiting programs, where a nurse or a trained lay person visits with the pregnant woman in her home.

-- Can you give us any examples of these programs -- exactly how are they working?

-- How many states have home visiting programs?

-- How well are these programs doing at reducing infant mortality? Can you estimate the savings generated by investing in these programs?

-- In evaluating home visiting programs, what project sites does the Commission intend to look at?

ANSWER: Home visiting, a public health service that sends health care professionals or trained community people into the homes of pregnant women and new mothers, is a feature of nearly every industrialized country's maternity care system.

Home visiting efforts have been successful in:

o increasing the attendance in preventive care such as prenatal care,

o increasing the use of well-child check-ups,

o encouraging healthy behaviors such as the reduction in smoking,

o reducing the incidence of child abuse and neglect,

o improving parenting skills, and

o generally promoting appropriate growth and development.

Home visiting is seen as the opportunity to educate pregnant women and new mothers concerning the need for preventive care such as prenatal care and well baby visits, to support new families in their transition, and to help guide mother and families through the array of services needed to check and maintain health.

The costs of home visiting programs per family range from $1000 to $3400 per year (depending on type of personnel used and the intensity of the service).

Most states have a number of home visiting programs; they are geared toward diverse populations and provide a variety of services. Services are performed by a lay person under the supervision of public health nurse or social worker or by a professional. Services often include child protective services, prenatal care, home management and education.

The General Accounting Office is currently evaluating home visiting programs both here and abroad and should have preliminary results by December 1989.

(see attached for domestic examples of successful home visiting programs for pregnant women and new mothers)

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

Use of Nurse Midwives and Nurse Practitioners

QUESTION: I commend you on a very comprehensive approach to promoting the health of mothers and children. You mentioned the need to consider universal access to health care for pregnant women and children. In rural areas of North Dakota and the rest of the nation, it is difficult to gain access to this kind of health care. Health care providers in rural areas are often nurse midwives and nurse practitioners.

-- How does the Commission plan to incorporate this cost-effective and capable group of health care providers into your efforts?

ANSWER: In rural areas of North Dakota and the rest of the nation, it is often difficult to gain access to universal health care coverage for pregnant women and children.

The Commission strongly supports the use of nurse midwives and nurse practitioners in addressing problems of access to care and the maldistribution of maternal and child health providers.

The proposed "Healthy Birth Act of 1989" calls for the development and expansion of home visiting programs which incorporate the use of a variety of health practitioners, depending on the needs of the populations and the services to be performed, including nurse practitioners and nurse midwives.

New England Journal of Medicine Study

QUESTION: You are probably familiar with a study that was published in the New England Journal of Medicine in 1986 by a researcher from the University of Pennsylvania -- Dr. Brooten. The study showed potential cost savings using an early discharge program that included having nurses follow up on low birthweight babies. Brooten's study estimated a net savings of more than $18,000 per infant.

-- Is the Commission investigating broader application of programs like the one I described?

ANSWER: The 1986 New England Journal of Medicine study showed potential cost savings using an early discharge program that included having nurses follow up on low birthweight babies.

Definitely, the Commission supports the use of early discharge programs that include having nurses follow up on low birthweight babies. Such programs are cost effective and they recognize the importance of assisting the family in their caretaking skills. They recognize the primary role of the mother or other consistent caretaker for infant development. Mothers need to be assisted to recognize and adapt their behavior to the infant's special needs.

As noted above, the proposed "Healthy Birth Act of 1989" calls for the development of home visiting programs for pregnant women, high risk infants and children.

(see attached summary of the "Healthy Birth Act of 1989")

THE HEALTHY BIRTH ACT
Examples of Health Visiting Programs

THE NORFOLK RESOURCE MOTHERS' PROGRAM

The Norfolk Resource Mothers' Program provides a community-based initiative which addresses the related problems of adolescent pregnancy, low-weight births and infant mortality.

Resource mothers in the community advise, support and assist pregnant and parenting teenagers in order to foster the healthy outcome of pregnancy, enhance the parent-infant bond, and support the well-being of the mother and child during the infant's first year of life.

The Norfolk program is administered by the Department of Nursing of Norfolk State University. The project was initiated by the Virginia Task Force on Infant Mortality and the Virginia Department of Health. Additional funding has been contributed by the City of Norfolk and the Hampton Roads Chapter of the March of Dimes.

The resource mothers are community members of several at-risk neighborhoods in Norfolk. In many instances, these women too have experienced an adolescent pregnancy or complications due to little or no prenatal care and now offer their experiences as guidance for pregnant and parenting teens in the target areas.

Each resource mother has evident helping skills and has been trained to assist pregnant adolescents and teen parents. They also are responsible for recruiting teens into early prenatal care and the Resource Mothers Program, and increasing community awareness of the infant mortality and adolescent pregnancy issues.

Contact: Margaret Konefal
804/683-8228

SOUTH CAROLINA'S RESOURCE MOTHERS

The Resource Mothers (RM) Program in South Carolina focuses exclusively on adolescent pregnancies with a primary goal of increasing the use of prenatal care to improve pregnancy outcomes.

Started in 1981 as a component of the Robert Wood Johnson Foundation's Rural Infant Care Program, the RM Program operates today with state and federal support in all fifteen health districts in the state.

The project emphasizes social support, health education and information, and general assistance offered by Resource Mothers who visit the participating teenagers at home during pregnancy, in the hospital at the time of delivery, and during the baby's first year at home.

Teenagers are referred to the program by schools, health departments, private physicians, service agencies, civic and church groups, and peers.

The Resource Mothers themselves are all mothers (many were pregnant as teenagers), high school graduates, and residents of the target counties. They are chosen on the basis of "personal warmth, successful personal parenting experiences, knowledge of community resources, demonstrated ability to accept responsibility, evidence of natural leadership, ability to use written and spoken language effectively, and subtle interpersonal skills."

Contact: Dr. Henry Heins, Professor of Obstetrics at the Medical University of South Carolina
or
Nancy Nance

803/792-2864

PRENATAL/EARLY INFANCY PROJECT (PEIP), ELMIRA, NY

Launched in 1978, PEIP begun as an experimental project to test the importance of extensive prenatal care for at-risk women and children in Elmira, NY, where infant mortality rates were high and rates of confirmed cases of child abuse and neglect were the highest recorded in New York State -- exceeding those of some of the nation's worst urban slums.

Over the next four years the nurse visitors succeeded in reducing the incidence of child abuse, neglect, and accidents. They were able to help mothers obtain early and continuous prenatal care thereby improving pregnancy outcome.

The program also resulted in an increase in the number of teenage mothers returning to school and employment, a decrease in the number who became pregnant again, and a reduction in welfare dependency among the participants.

Program evaluation became a prominent part of the Elmira PEIP and attracted support from several foundations, the Federal government, and academic sources; however, despite extremely positive findings on the worth of home visiting, the project ultimately lost its overwhelming support from outside sources.

Today, home visiting in Elmira is run by the local health department and funded by Medicaid. Burdened by funding cuts and demands that seemed more urgent, the health department doubled the nurses' caseloads when it took over the program.

Within months of the programs's conversion from demonstration project to mainstream operation, all the original nurses had resigned. Their replacements are competent and committed nurses but are aware that they are no longer able to provide the same intensive care as their predecessors.

Contact: David Olds, Professor of Pediatrics at the University of Rochester and organizer of PEIP
716/275-3738

GREENSPRING PEDIATRIC ASSOCIATES PRIMARY CARE CENTER, BALTIMORE, MD

The Greenspring Primary Care Center is a private medical group on the grounds of Sinai Hospital, organized by Dr. Charney and several of his colleagues. The center provides superb and respectful preventive health care to a population with a high proportion of at-risk families. The project has demonstrated that good medicine can save lives and money.

Continuity of care, which the Greenspring group holds to be central to good practice, starts at birth. No baby born in Sinai Hospital is discharged before a pediatrician accepts responsibility for that baby. Babies born to poor or otherwise high-risk families are followed by the Greenspring pediatricians. The programs services include transportation, home visiting and routine follow-up.

Through a computerized record keeping system, the program has been able to document three indicators of success. First, the rate of children who continue in care is unusually high -- 90 percent of the children enrolled as newborns are up to date on immunizations and screening procedures at the age of two.

Second, the group's patients are much less likely than a comparable population to overuse the emergency room. And third, in contrast with most of the rest of the health system, at Greenspring black and white children, poor and non-poor children, use health services in virtually identical ways, showing that the barriers to needed health care have been successfully removed for everyone.

Contact: Dr. Evan Charney, Chief of Pediatrics at Sinai Hospital, Baltimore, MD
301/578-5800

THE MATERNITY AND INFANT OUTREACH PROJECT (MIOP) -- HARTFORD, CT

MIOP is one of the components of an action plan spearheaded by a consortium of corporate leaders in response to Hartford's very high rate of infant mortality. Like the Better Babies Project in Washington, D.C., MIOP does not provide prenatal care directly, but rather offers services that supplement medical care for pregnant women and their babies up to six months of age.

Such services include social support, counseling on nutrition, help in securing welfare and housing assistance, and assistance with substance abuse problems, often through home visiting.

MIOP operates through the Hartford City Health Department and is funded by both private and public donors. The project incorporates health educators and neighborhood health workers who are assigned to various targeted areas to recruit pregnant women into care and to provide social support.

Contact: Diana Phillips, project director
203/722-6773 or 203/722-6774

THE HEALTHY BIRTH ACT OF 1989

OVERVIEW

The Healthy Birth Act of 1989 is based on some of the recommendations of the National Commission To Prevent Infant Mortality, which are aimed at integrating and expanding access for pregnant women, children, and families to public health and social services. The Commission recognizes that limited financial resources are not the only barriers between pregnant women and the care they need. It is often lack of information and poor coordination among program enrollment and delivery sites that impedes pregnant women and children from obtaining necessary services.

This legislation would give the states the option to apply to the Secretary of the Department of Health and Human Services for grants for up to five years that will fund community-based comprehensive health service delivery projects. The projects will include the following components.

- o maternal and child health home visiting programs,
- o "one stop shopping"--integration and co-location of services,
- o a state toll-free information and referral number for maternal and child health services,
- o technical assistance and public awareness activities regarding maternal and child health handbooks, and
- o evaluation of the projects

The legislation will require the Secretary of the Department of Health and Human Services to do the following:

- o distribute maternal and child health handbook
- o provide technical assistance including description of successful models of home visiting programs,
- o establish a national toll-free information and referral number for maternal and child health services,
- o develop the competitive grant application process,
- o provide technical assistance and evaluation of the grant project sites, and
- o develop a model Medicaid-WIC joint eligibility package for use by all states.

The Healthy Birth Act would amend Title V of the Social Security Act to provide new funds to states to develop the above programs. The bill increases the authorization for the Maternal and Child Health Block Grant by $100 million in FY1990. It creates a new set-aside to be administered by the Bureau of Maternal and Child Health Resources Development.

MATERNAL AND CHILD HEALTH HOME VISITING

Background

"Home visiting" is the delivery of preventive health, education, and support services by a nurse, social worker, trained lay person or volunteer to a pregnant woman , new mother, or family in their own home. It is a service commonly provided by other developed countries and is known to successfully protect families from a variety of medical and social risk factors.

Research and program experience shows that home visiting efforts geared toward improving pregnancy outcomes are successful and cost-effective in both the short and long term. These efforts generally include increasing the proper use of preventive health care services (both prenatal and pediatric), encouraging healthy behaviors (such as smoking cessation), reducing the incidence of child abuse and neglect, improving parenting skills, and promoting appropriate growth and development.

Home visiting is particularly effective for reaching high risk individuals of families because delivery of services in the home allows the client to feel at ease and therefore optimally benefit from the service. It also allows the provider (with first-hand information about the home environment) to offer the attention and care that is most appropriate for the individual or family's needs.

PROPOSAL

The legislation requires the grant-receiving states to develop or expand home visiting programs serving high-risk pregnant women, new mothers, and children. These programs will provide client or family-centered case management services, maternity and health education services, and related social support activities. The state will determine the necessary home visitor qualifications based on the needs of the target population. The range of visitors may vary from nurses to lay visitors or volunteers who are trained in pertinent areas of health and development.

Stringent programs evaluations, which will follow the implementation of the home visiting program, will provide information on what type of program most effectively meets the needs of the targeted population and will serve as the basis for implementing home visitors program nationwide.

"ONE-STOP SHOPPING" FOR MATERNAL AND CHILD HEALTH SERVICES

BACKGROUND

Low-income families are served by a wide variety of governmental programs, including Medicaid, Title V Maternal and Child Health Programs, the WIC program, social service and welfare programs, Community and Migrant Health Centers, and substance abuse programs. Currently, little coordination exist among programs; it is therefore difficult for pregnant women and children to get access to the comprehensive service they need.

Ideally, the "one-stop shopping" component of the project would enable pregnant women and children to secure access to all necessary services at one location. Such a client-

centered resource would integrate the eligibility and application process as well as ensure the comprehensive delivery of services. This system would maximize and pool government resources while providing a focal point for delivery of services to the family.

PROPOSAL

The legislation calls for the development of model "one-stop shopping" projects for pregnant women and children at the community level. The states applying for funding would outline their current and proposed efforts to integrate and co-locate the following programs: Medicaid, Title V, Maternal and Child Health Programs, WIC, Community and Migrant Health Centers, social and welfare services, mental health and retardation services, substance abuse prevention and rehabilitation, and education services.

State applications would address the co-location of services, cross-training of staff between programs, use of simplified eligibility and combined applications, outreach and referral requirements, integrated case management, client tracking and management information systems and other methods which lead to the development of a client and family-centered delivery system.

The legislation will also direct the Secretaries of the Department of Health and Human Services and Agriculture to develop a model joint application form for Medicaid and WIC with technical assistance provided to the states on the use of such an application.

MATERNAL AND CHILD HEALTH HANDBOOK

Approximately 90% of the world's countries use a health handbook to provide a home-based health record and basic information on health and development to pregnant women, new mothers, and families. In the United States several states have used the handbook on a limited basis but there has never been an effort to distribute them nationwide.

Japan, which has the world's lowest infant mortality rate, has successfully incorporated the handbook into their services for pregnant women and children. The Japanese Health Minister claims, "the use of this handbook is an integral part of Japan's success in reducing its rate of infant mortality."

The use of such handbooks have been successful in accomplishing the following:

- o encouraging early enrollment and more consistent use of preventive health care services --prenatal and well-child care in particular,
- o facilitating the continuity of care for pregnant women and new mothers,
- o educating parents concerning the health needs of pregnancy, infancy and early childhood,
- o encouraging and supporting women and parents to take an active role in their own care and care of their children resulting in more appropriate, less costly use of preventive and accurate care service,
- o facilitating communication and rapport between parents and providers, and
- o providing direct access to the health history of pregnant women and children, which can reduce the need for costly duplication of tests and service.

The Commission is developing two handbooks versions: one for pregnant women and one for children from birth to age six. Both national and international experts (in medicine, nutrition, public health, nursing, development, psychology, and others) are currently reviewing them.

PROPOSAL

The legislation will require the Secretary of Health and Human Service to distribute the handbook to all new mothers or parents nationwide.

The distribution of such handbook would be possible through existing public maternal and child health programs such as Medicaid, WIC, Community and Migrant Health Centers, etc. Private sector obstetricians and gynecologists, pediatricians, family physicians, nurse, nurse midwives and others will also be points of distribution for the handbook. The national and state tool-free information and referral lines will also be part of the dissemination system. The health handbook will be an integral component of the home visiting programs.

NATIONAL AND STATE TOLL-FREE INFORMATION AND REFERRAL NUMBERS

Background

Since 1980, the percentage of births to women receiving late or on prenatal care has increased. Although there are a number of problems that interfere with access to care,it is clear that lack of information and the complexity of health and social service programs are two major obstacles.

Pregnant women and new mothers need an information vehicle at the state and national level. Various agencies and officers report receiving "desperate" calls from women who feel they have on place to go for basic health information and referral services.

Proposal

The legislation requires the Department of Health and Human Services and states that are awarded grant money to establish maternal and child health toll-free information numbers to achieve the following:

- o provide basic information and referrals,
- o document problems with the service delivery system reported by callers,
- o serve as a distribution point for related health materials such as the health handbook, and
- o serve as a data base providing information on the kinds of calls received.

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF R. KENNETH TOWERY, CHAIRMAN

ACCOMPANIED BY:

DONALD E. LEDWIG, PRESIDENT AND CHIEF EXECUTIVE OFFICER
FRED DeMARCO, VICE PRESIDENT

PREPARED STATEMENTS

Senator HARKIN. Our next panel of witnesses will be representatives of the Corporation for Public Broadcasting. The committee is pleased to welcome for the first time Mr. Ken Towery, the newly-elected Chairman of the Corporation for Public Broadcasting. Mr. Towery is the dean of the CPB Board, having been appointed by President Reagan in 1981.

I understand, Mr. Towery, that you were a staff person with the Senate at one time, so we are pleased to welcome you back. We are also pleased to welcome Donald Ledwig, the President of the Corporation and Frederick DeMarco, the Vice President and Treasurer of CPB.

Gentlemen, your complete statements as I said will be in the record and please, if you could, summarize them for me; and Mr. Towery—well, I will let you proceed in whatever manner you want to.

[The statements follow:]

93-211 O - 90 - 16

STATEMENT OF R. KENNETH TOWERY

Mr. Chairman, members of the Committee.... My name is R. Kenneth Towery. I am chairman of the board of directors of the Corporation for Public Broadcasting (CPB). This is my first appearance before you as chairman. My colleagues on the board elected me to this position on Feb. 18. I was first appointed to the CPB Board in November 1981, and I was appointed to my second five-year term in October 1986. My complete biography is attached to this testimony. I am accompanied by Donald E. Ledwig, president and chief executive officer of CPB.

I welcome the opportunity of appearing before you today for two principal reasons:

-- first, to testify in support of CPB's requested and authorized appropriation of $265 million for general system support for Fiscal Year 1992 and in support of the additional $143.2 million, also authorized, for completing the replacement of public broadcasting's satellite interconnection system; and

-- second, to record my opposition to the Administration's proposal to "freeze" CPB's FY 1992 appropriation at $242 million, with no additional appropriation to replace the satellite interconnection system. An indefinite freeze of federal support for public broadcasting at FY 1991 levels directly counters the intent of Congress to fund CPB at levels that reflect reasonable federal support for the nation's public telecommunications system. I urge Congress to accept instead CPB's proposal of $265 million for general

system support and $143.2 million for satellite replacement.

This Committee's strong support for public broadcasting was demonstrated in 1988 when it appropriated $242.06 million for general operating support and $56.8 million for replacement of the satellite interconnection system which has delivered outstanding programming to public radio and television stations for the past 13 years.

Last year, when Congress passed the Public Telecommunications Act of 1988 authorizing CPB's appropriations for Fiscal Years 1991 through 1993, it authorized $200 million to help public broadcasting replace the existing satellite interconnection system, which will go dark in 1991. CPB is requesting that the remaining funds authorized for satellite replacement--$143.2 million--be appropriated for FY 1992. Mr. Ledwig's testimony will deal more comprehensively with this subject.

I hasten to add that in requesting its appropriation for FY 1992, CPB is sensitive both to the current concern about the national budget and to the tremendous competition for federal dollars. We believe, however, that dollar-for-dollar the funds spent for public broadcasting are the most efficient means of ensuring that all Americans have access to outstanding educational, cultural, and informational programming and services. Such funds are also a cost-effective way to focus public attention on problems like illiteracy, AIDS, and the need for affordable, quality child care.

CPB's request for $265 million in general programming support amounts to approximately $1 for each U.S. citizen for the year. That annual $1 per citizen makes it possible for more than 10 million people to hear public radio and for more than 100 million to view public television each week. It also makes it possible for public broadcasting to serve 23 million school children and 1 million college and adult learners each year.

The American people need public broadcasting today as much or more than they did when this enterprise was acknowledged in the Public Broadcasting Act of 1967. As we move into the 1990s and the next century, educational services continue as a paramount need for all citizens of this country. Public broadcasting must continue to prove its usefulness as a cost-effective educational resource for people of all ages, both in the classroom and at home.

More adults than ever are pursuing higher education degrees. The U.S Department of Education projects that approximately 49 percent of all students pursuing higher education in 1992 will be over the age of 24. The majority of these students will be working, either full- or part-time. Second, as the number of working, single-parent, and two-income households increases, there will be a complementary need for more preschool education. Currently, 51 percent of women with children under the age of one are in the work force.

Much has been reported in recent years about the crisis in education and its impact on U.S. competitiveness in the global marketplace. America is experiencing a crisis in the ability of adults to function, and as we move into the next century,

the workplace is becoming more technical and information/service-focused. To remain competitive throughout the world, this nation will require a highly educated work force. Today, one in seven adults is functionally illiterate, unable for the most part to read a job application or a traffic sign. Worse yet, increasing numbers of children are growing up without the basic reading skills necessary to live up to their potential. During the past year, a study by the National Endowment for the Humanities revealed the startling inability of American youngsters to identify historic individuals, events, and facts once considered familiar to everyone.

In response to these needs, public broadcasting has made --and can continue to make--a significant contribution to the education of Americans young and old, through courses carried to the classroom or through outreach programs that involve and inform viewers on important social issues. Public television provides 1,300 hours per year of programming for the classroom. During the school day, approximately 65 percent of public television's schedule is directed to American classrooms, where more than 18 million young people benefit from outstanding instructional programming. In addition, public television programs unlock the secrets of math, science, and reading in Square One TV, 3-2-1 Contact, and Reading Rainbow.

In 1988, the chairman of the National Endowment for the Humanities, in a report to the President on "Humanities in America," cited public television programs The Power of Myth (Bill Moyers' conversations with Joseph Campbell), Reading Rainbow, and Voices and Visions as having encouraged sales of collateral or original source books.

One of public broadcasting's most successful projects has been its Public Television Outreach Alliance, which CPB funds. The Outreach Alliance has sought to focus attention and generate action on pressing social issues like drug and alcohol addiction, child abuse, and, in 1988, the critical need for affordable, quality child care. This year the theme of the Outreach Alliance's national project is "America in the Age of AIDS." Another major outreach programming effort supported by CPB is Project Literacy U.S.--PLUS. The goal of PLUS is to combat illiteracy among 23 million adults in this country. Its projects in the past two years have emphasized literacy in the workplace and literacy among youth.

An example of a parallel function of public broadcasting's satellite interconnection system is the Satellite Educational Resources Consortium (SERC), an educational initiative designed to boost America's economic competitiveness. SERC represents the efforts of CPB, 18 states, and four communities to make quality education in math, science, and foreign languages equally and cost-effectively available to all students across the country. CPB funded the planning and startup semester of this project.

But so much more could be done, and public broadcasting has the necessary resources and expertise to continue as a leader in education. As always, we stand ready to work with the Department of Education and other educational organizations and institutions in bringing the best available programming to teachers in the classroom.

In conclusion, Mr. Chairman and members of the Committee, CPB is asking Congress for an appropriation of $265 million--representing a modest $22.9 million increase in general system support--along with the remaining $143.2 million of the $200 million authorized for replacing public broadcasting's satellite interconnection system.

We can use the energy, talent, and ideas that public broadcasting possesses in abundance to help direct these resources to benefit all Americans, to meet the challenges of educating our youth, of helping to stamp out illiteracy, and of making our countrymen more aware of our cultural heritage.

Thank you. I shall be pleased to respond to any questions you may have.

STATEMENT OF DONALD E. LEDWIG

Mr. Chairman, members of the Committee.... My name is Donald E. Ledwig. I am president and chief executive officer of the Corporation for Public Broadcasting (CPB). My chairman and I are accompanied here today by Frederick DeMarco, vice president and treasurer of the Corporation. I have served as president of CPB since July 2, 1987, and as an officer of the Corporation since November 1984. My biography is attached to my prepared testimony.

The Corporation deeply appreciates this subcommittee's strong support for public broadcasting. I believe that many millions of Americans who benefit from this support are grateful, as well, for the confidence you have shown in public broadcasting and its ability to reach and educate the public

with quality, innovative programming from a wide variety of sources.

On November 7, 1988, President Reagan signed Public Law 100-626. This legislation--the Public Telecommunications Act of 1988--authorizes CPB's appropriations for Fiscal Years 1991 through 1993. Its enactment came as a result of strong, bipartisan support within the Congress.

Consistent with this authorization and on behalf of public broadcasting, I request the committee to appropriate $265 million for general support of public broadcasting for Fiscal Year 1992. I also request an additional $143.2 million to complete federal funding for the replacement of public broadcasting's satellite interconnection system that Congress authorized by Public Law 100-626. In 1988, Congress authorized $200 million to help public broadcasting replace its satellite, which will go dark in 1991. Congress appropriated $56.8 million of that amount for FY 1991, so this request is for the remaining funds that are authorized.

We are acutely aware of the severe constraints placed on the Congress by the current budget situation, and we are sensitive to the competing demands on federal dollars. We believe, however, that federal support for public broadcasting is one of the most cost-effective means available to address a number of critical problems facing the nation today.

The Administration has proposed to "freeze" CPB's appropriation at $242 million, with no additional funding to help replace the satellite interconnection system. Instead of that approach, I urge Congress to accept CPB's proposed

$265 million for general support of public broadcasting and $143.2 million for satellite replacement. CPB's request is a prudent estimation of what it would cost to do what Congress has asked. In 1988, Congress asked public broadcasting to do even more. How can we do so with the freeze on funds proposed by the Administration?

Predictable, long-range forward funding is essential to public broadcasting's ability to leverage the non-federal revenue that makes up more than 81 cents of every dollar spent by the public broadcasting system. A freeze on public broadcasting's appropriation reduces the flow of this forward funding and jeopardizes the critical money it leverages from a variety of sources.

The first satellite-based interconnection system connecting public radio and television stations throughout the country was constructed mostly with federally appropriated funds allocated by CPB in the late 1970s. For the past 13 years this system has provided public broadcasting with a low-cost, dependable means of distributing programming to every corner of the country. The system will reach the end of its useful technical life when the satellite transponders run out of fuel in FY 1991.

The satellite interconnection system satisfied one of the reasons that federal funds were contributed to public broadcasting in the first place--to make it a truly national resource. Having this replacement satellite system in place is vital to the ability of public television and radio to continue delivering quality programs that serve a wide range of needs, interests, and audiences, such as:

-- educational programming like Square One TV, 3-2-1 Contact, and Reading Rainbow that enhances learning for elementary school children, and the longtime favorites Sesame Street and Mr. Rogers' Neighborhood that introduce social and reading skills for toddlers without the intrusion of commercialism;

-- public affairs, cultural, and family programming like MacNeil/Lehrer NewsHour, Frontline, Great Performances, and WonderWorks on public television and All Things Considered and Morning Edition on public radio;

-- instructional television that includes 1,300 hours of programming for grades K to 12, providing the backbone of many state education systems, especially in some rural states; and

-- special programming like the award-winning Eyes on the Prize and Corridos! that bring minority topics alive both for specialized audiences and for all Americans.

For a new satellite interconnection system to be in place and operating before the end of the active life of the current system in 1991, financial commitments have to be made this year. Failure to appropriate authorized federal funds will force the public broadcasting system to divert scarce resources away from programming and into satellite replacement. This would seriously disrupt and adversely affect public broadcasting's programming nationwide.

As Chairman Towery has just indicated, each week more than 100 million viewers watch public television, and 10 million

listeners tune in to public radio. Today, approximately three-fourths of all families with children under the age of six watch and learn from public television regularly. Public broadcasting also serves 23 million school children and 1 million college and adult learners each year. I believe that these viewers and listeners consider public broadcasting to be an indispensable part of their educational and cultural life. Further, it is the most cost-effecive way to educate, inform, and enlighten the nation.

The face of America and our audience is changing. There is a growing diversity of minority needs as seen by the increasing numbers of new immigrant groups from Africa, Southeast Asia, Central America, the Middle East, and the Caribbean. For example, there are 30 million blacks and 18 million Hispanics today in the United States which constitute approximately 20 percent of the population.

CPB has responded to the needs of these growing audiences through special funding for minority programming. Further, 20 percent of the funds provided by CPB to major public television series have been dedicated to programming that speaks to the diversity of our nation. Starting in FY 1990, we will be adding $3 million to our minority programming efforts, as CPB establishes a new, additional programming initiative for minorities.

Faced with these challenges, CPB believes it is time to take advantage of the resources developed within public broadcasting over the past two decades and has based its FY 1992 request for federal support on that premise.

If Congress appropriates the funds that are requested, CPB will be able to:

-- help public broadcasting replace the all-important satellite interconnection system that goes out of service in 1991;

-- continue supporting the operations of more than 190 television licensees representing more than 300 television stations and more than 320 radio stations in all 50 states, the Virgin Islands, Puerto Rico, American Samoa, and Guam;

-- sustain public broadcasting's ability to develop and distribute signature American public broadcasting programs that address social, cultural, and educational issues of concern to the country today;

-- make available more diverse, innovative programming, produced by independent and minority producers for public broadcasting audiences throughout the nation;

-- ensure the continuation of public television as a cost-effective educational resource for the classroom and the home; and

-- extend public radio service to areas not now served, especially areas where such service is the only available broadcast radio service.

In conclusion, Mr. Chairman and members of the Committee, the challenges facing public broadcasting are many, but so are our opportunities and our capabilities. With congressional support of the funding request we are making today, public broadcasting will be able to continue to inform and educate our viewers and listeners and enrich the cultural life of the nation into the 1990s.

Thank you. I shall be pleased to respond to any questions you may have.

OPENING STATEMENT OF KENNETH R. TOWERY

Mr. TOWERY. Mr. Chairman, my name is Kenneth Towery. I am Chairman of the Board of Directors of the Corporation for Public Broadcasting. I was first appointed to the CPB Board in November 1981 and was reappointed to a second 5-year term in October 1986 and began my term as Chairman 2 weeks ago, on March 1, 1989. I am accompanied by Donald E. Ledwig, President and Chief Executive Officer of CPB.

Mr. Chairman, I welcome the opportunity to appear before you today for two principal reasons. First, to testify in support of CPB's request for an appropriation of $265 million for general systems support for fiscal year 1992 and an additional $143.19 million for completing the replacement of public broadcasting's satellite interconnection system. These amounts were authorized last year.

Second, to record our concerns—that is, the Board's concerns—about the administration's proposals to freeze CPB's fiscal year 1992 appropriations at $242.06 million with no additional appropriation to replace the satellite interconnection system. I urge Congress to accept instead CPB's request for $265 million for general systems support and $143.19 million for satellite replacement.

Last year, when Congress passed the Public Telecommunications Act of 1988 authorizing CPB's appropriation for fiscal year 1991 through 1993, it authorized $200 million to help public broadcasting to replace the existing satellite interconnection system which will go dark in 1991. The satellite replacement funds are essential for the continued delivery of outstanding programming to public radio and television stations throughout the Nation.

Also in 1988, Congress appropriated to CPB for fiscal year 1991, $242.06 million for general systems support and $56.81 million for replacement of the satellite interconnection system. CPB is requesting that the remaining funds authorized for satellite replacement—that is, $143.19 million—be appropriated in fiscal year 1992.

I hasten to add, Mr. Chairman, that in requesting this appropriation for fiscal year 1992, CPB is sensitive both to the current concerns about the national budget and to the tremendous competition

for Federal dollars. CPB's request for $265 million in general programming support amounts to approximately $1 for each U.S. citizen for the year.

Dollar for dollar, the funds spent for public broadcasting are the most efficient means of ensuring that all Americans have access to outstanding educational, cultural, and informational programming. More than 100 million people view public television and more than 10 million listen to public radio each week.

Public broadcasting also serves 23 million school children and 1 million college and adult learners each year. Much has been reported in recent years about the crisis in education in this country and its impact on U.S. competitiveness in the global marketplace.

Today, one in seven adults is functionally illiterate, unable for the most part to read a job application or a newspaper and worse yet, increasing numbers of children are growing up without the basic reading skills necessary to live up to their potential.

To remain competitive throughout the world, this Nation will require a highly educated work force. In response to these needs, public broadcasting has made and can continue to make a significant contribution to the education of Americans young and old through courses carried to the classrooms and through outreach programs that involve and inform viewers on important social issues.

During the school day, approximately 65 percent of public television's schedule is directed to America's classrooms. In addition, public television programs unlock the secrets of math, science, and reading in programs like "Square One TV" and "3-2-1 Contact," and "Reading Rainbow."

One of public broadcasting's most successful projects has been its public television "Outreach Alliance," which CPB funds. The "Outreach Alliance" has sought to focus attention and generate action on pressing social issues like drug and alcohol addiction, child abuse and in 1988 the critical need for affordable, quality child care.

This year, the theme of the "Outreach Alliance's" national project is "America in the Age of AIDS." Another major outreach programming effort supported by CPB is Project Literacy U.S.—PLUS, as we call it. The goal of PLUS is to combat illiteracy among 23 million adults in this country. Its projects in the past 2 years have emphasized literacy in the work place and literacy among youth.

In conclusion, Mr. Chairman and members of the committee, public broadcasting has the necessary resources and expertise to continue as a leader in education for the benefit of all Americans. We can meet the challenges of educating our youth, of helping to stamp out illiteracy and of making our countrymen more aware of our cultural heritage.

Thank you, and I would be pleased to respond to any questions you may have.

Senator HARKIN. Thank you very much, Mr. Towery. Mr. Ledwig?

OPENING STATEMENT OF DONALD E. LEDWIG

Mr. LEDWIG. Yes; Mr. Chairman. First, I wish to express the Corporation's deep appreciation to the subcommittee for its strong support of public broadcasting. I believe that millions of Americans who benefit from public broadcasting are grateful, too.

On November 7, 1988, President Reagan signed the Public Telecommunications Act of 1988, authorizing CPB's appropriations for fiscal years 1991 through 1993. It was enacted with strong bipartisan support in the Congress and consistent with this authorization and on behalf of public broadcasting, I request the committee to appropriate $265 million for general support of public broadcasting for fiscal year 1992. I also request an additional $143,190,000 to complete Federal funding to replace the public broadcasting satellite interconnection system.

In 1988, Congress authorized $200 million to help replace public broadcasting's satellite which will go dark in 1991. Congress appropriated $56.81 million of that amount for fiscal year 1991. This request, then, is for the remaining funds that are authorized.

The administration has proposed to freeze CPB's fiscal year 1992 appropriation at the fiscal year 1991 level of $242.06 million, with no additional funding for replacing the satellite interconnection system. Instead of that approach, Mr. Chairman, I urge Congress to accept CPB's proposal, which is a prudent estimate of what it would cost for CPB to do what Congress has asked us to do.

We are acutely aware of the severe budgetary constraints facing Congress, but we believe that Federal support for public broadcasting is one of the most powerful and cost-effective means to address critical problems in the Nation today, such as illiteracy, child care, drugs, AIDS, and other topics that are being emphasized in our programming and outreach efforts.

In addition, the satellite system connecting public radio and TV stations nationwide is a low-cost, dependable means of distributing quality programs to serve a wide range of needs, interests, and audiences. These programs include:

First, educational programs like "Square One Television," "3-2-1 Contact," and "Reading Rainbow" that enhance learning for elementary school children and "Sesame Street" and "Mr. Rogers' Neighborhood" that introduce social and reading skills for young children.

Because America is one of the most illiterate countries in the Western World or in the industrial world, CPB has funded Project Literacy U.S. since its inception to identify and help correct this serious national problem. We will continue to do so.

Second, public affairs, cultural and family programming like public TV's "MacNeil/Lehrer NewsHour," "Frontline," "Great Performances," and "WonderWorks," and public radio's "All Things Considered" and "Morning Edition."

Third, instructional television that includes 1,300 hours of programs for children, grades kindergarten through 12, providing the backbone of many State educational systems, especially in rural States.

And fourth, special programs like "Eyes on the Prize" and "Corridos!" that bring minority topics alive for both specialized audiences and for all Americans.

Financial commitments must be made this year if a new satellite interconnection system is to be in place and operating before the end of the current system's active life in 1991. Failure to appropriate authorized funds will force the public broadcasting system to divert scarce resources away from programming and seriously disrupt and adversely affect its programming nationwide.

The face of America and our audience is changing. CPB has responded to the needs of the growing diversity of public radio and TV audiences through special funding for minority programming. Further, 20 percent of the funds CPB provides for major public TV series have been dedicated to programming that speaks to our Nation's diversity. Starting in fiscal year 1990 we will be adding $3 million to our minority programming efforts as CPB establishes a new additional programming initiative for minorities.

In conclusion, Mr. Chairman and members of the committee, the challenges facing public broadcasting are many, but so are our opportunities and our capabilities. With congressional support of CPB's funding request, public broadcasting will be able to continue to inform and educate our viewers and listeners and enrich the cultural life of the nation into the 1990's.

Thank you. I shall be pleased to respond to any questions you may have.

CLOSED CAPTIONING

Senator HARKIN. I apologize for having to leave. We are shorthanded around here these days. Now, Mr. DeMarco, did you have anything you wanted to add?

Mr. DEMARCO. No, thank you.

Senator HARKIN. First of all, I want to just point out in your budget that you have proposed changes here. In looking at your proposed operating budget for fiscal year 1990 I am concerned that while you expect to expand funding for program support by almost 7 percent, you intend to cut your efforts in captioning programs for the deaf by almost 43 percent. In total, your programming support activities for the disabled is cut by 30 percent. Why did you choose to make reductions in this area?

Mr. LEDWIG. Mr. Chairman, we now require captioning in our contracts so it is not a cut in captioning, it is just a shifting of cost to major program producers. They will be continuing captioning as part of the contract with CPB. In the past we had been funding it separately. This is really phasing out of our separate funding of captioning. We will still have captioning. In fact, it will increase because it will be required.

Senator HARKIN. So there will be no derogation?

Mr. LEDWIG. There will be no derogation of captioning. We are expanding that program. We were leaders in starting that particular program and we are proud of what we have done. It will continue to be done, only in a different way.

INDEPENDENT PRODUCTION SERVICE

Senator HARKIN. Very good. Mr. Towery, the new amendments to the Public Broadcasting Act enacted last year authorized the creation of an independent production services, IPS, and calls upon CPB to set aside at least $6 million for production funds for the new service. What steps has CPB taken to assure that the independent production service will be in place and operating by October 1 of this year?

Mr. TOWERY. Mr. Chairman, I am familiar with that, but I would like for Mr. Ledwig to address it more fully. But we have begun our work on that. There are mechanisms in place now and meetings are taking place and negotiations are going on. The situation is being worked out hopefully to everyone's satisfaction, where it would be accomplished in time. But as I said, for the record I would like for Mr. Ledwig to respond.

Mr. LEDWIG. This initiative is designed to increase the diversity of programming and we have included, the diversity of interests in discussions and we are moving forward. We have a working group which is meeting with independent producers and progressing. We are looking forward to an incorporation of this service and meeting the deadlines imposed in the statute.

Senator HARKIN. I understand that the Public Broadcasting Act continues to require CPB to reserve substantial funds for independently produced programming over and above the $6 million set aside for the new independent production service. Again, are you aware of that, and what measures are you taking to maintain or increase substantial levels of funding for independent producers throughout public broadcasting, as the law requires?

Mr. TOWERY. We are aware of it and I think we are on top of it. Don, go ahead.

Mr. LEDWIG. Well, we have always carried out that mandate, we believe, and we have expanded our reliance upon and use of independent producers. Many of the public television signature series, such as "Frontline," use independent producers.

Many of the programs you see are independently produced. We rely on independent producers and we are proud when they win so many awards for public broadcasting and we will continue that effort. We also have an open solicitation, Mr. Chairman, in which anyone can submit proposals for programs and much of those funds goes to independent producers.

Senator HARKIN. Six million dollars, as I understand it, was set aside strictly for production.

Mr. LEDWIG. Yes.

Senator HARKIN. Are you setting aside other funds for overhead and promotional cost, that kind of thing? Solicitations?

Mr. LEDWIG. We are following the statute and we are providing some administrative startup costs.

LOCAL CONTROL OF STATION PROGRAMMING DECISIONS

Senator HARKIN. The only other thing I wanted to cover a little bit was advertising and some other programming. The committee has been receiving increased numbers of reports that public TV stations are purchasing commercial products such as "Leave it to

Beaver" and the "Andy Griffith Show" for broadcasting on their public signal. Can you tell us if this trend is growing, and how did these stations find it in their mission's purpose to broadcast these shows?

Mr. TOWERY. I think we could get into a philosophical discussion here on that subject, Senator, and so to stick to the record I guess we probably ought to let Mr. Ledwig respond to it, because I have some trouble in this area myself. As I guess most of the Board knows and most of our staff knows, if I were king of the world it would be a little bit different but I deal with what we have.

Mr. LEDWIG. Mr. Chairman, the act in 1967 set four principles for CPB: a universal access to the programming, quality programs for the underserved, editorial diversity, and local control. Also in 1967 the Congress made us just a small player in the funding of all public broadcasting.

We at the Corporation use our funds to carry out the intent and the will of the Congress in funding children's and educational programs, programs for minorities, independently produced programs, and others, to make those available to the American people as part of the public television mix.

Having discretion and flexibility at CPB, we can ensure that that takes place. If the market out there has too much "Leave it to Beaver," we can provide more MacNeil/Lehrer, or more support for MacNeil/Lehrer, or a Capitol Hill coverage unit which we did for MacNeil/Lehrer. We can increase funding for programs such as "Frontline," which are independently produced documentaries that a market might not buy, and then simply provide them at a lower cost to public broadcasters, thereby carrying out the will and the intent of the Congress to make these programs available.

However, the fourth point in the act is local control. The control of what goes on public television is a local matter. We do not and are prohibited, in fact, from controlling what each station chooses to show. But we can have influence. We can put our emphasis behind the things that are particularly of interest to the Congress by funding of national programs in such areas.

ENHANCED UNDERWRITING GUIDELINES

Senator HARKIN. The last thing I had was just advertising and commercials. I have expressed this before, publicly, privately and on this committee now for 4 years. I am concerned about the expansion of the recognition of underwriters by public TV stations.

Now, in the past it has always been—this program brought to you by, or underwritten by, funded by, such and such a company or corporation. Usually it would be at the beginning of the program, maybe once at the end and that would be it. Increasingly, these recognition efforts are looking more and more like standard television commercials. It is not only the company, but maybe a product that the company puts out.

Who controls the format for the recognition of funders employed by our public TV stations, and what is CPB doing to rein in the expansion of these commercials on public TV stations?

Mr. LEDWIG. Mr. Chairman, the guidelines for underwriting are set, as far as the national programming that is carried on PBS, by

PBS. They set the standards, together with the system and the system works jointly on these standards, tightening them up and controlling them. You want them loose enough to bring in the underwriter and tight enough so that you do not end up with a commercial. There are no commercials allowed on noncommercial television. That is an FCC requirement.

How you adjust that is a serious question but it is an important one, because it assists in bringing in non-Federal funds. On the other hand we do not want to have anything that looks like a commercial. But it is essentially a matter in the hands of the stations.

Senator HARKIN. Who controls this format? Who says whether or not this is going to be allowed or whether you are allowed to mention a certain product that corporation puts out?

Mr. LEDWIG. Well, there are FCC requirements, first of all that it not be a commercial, but as far as controlling the particular underwriting standards there are groups working through the Public Broadcasting Service, or PBS, which is a separate organization from the Corporation for Public Broadcasting.

Senator HARKIN. One that has been on with regularity is the Ford commercial and I say commercial. The Ford underwriting where they mention the Taurus and what a nice car it is and the attributes of the Ford Taurus.

Mr. LEDWIG. I am not familiar with this on a national level. I do know that the automobiles are not allowed to move. They are not allowed to roll. I know that is a particular requirement that we have, that the wheels cannot turn, and I know some automobile people who say they would like the wheels to turn, but we do not allow that.

Mr. TOWERY. Mr. Chairman, Don has to live with that balance. I fortunately do not. I make a living in another area and I have given a lot of my life to public broadcasting that I probably should be devoting to making a living, so perhaps I am free to say some things that he cannot.

In my view, the line has been stretched a little bit far in that area. I saw the other day where the FCC had leaned on some station up East about going a little bit too far. I am in the advertising business. I mean, I have three newspapers. I have another consulting firm that handles sometimes $1 million a year of advertising. I think I know advertising when I see it. I think I know underwriting when I see it. Sometimes there is a distinction with a difference that is not there.

Now obviously, we have to have the income that comes from those programs and we cannot get it all through taxpayer dollars and so, to the extent that we can live with it as far as is reasonable, I guess that is about all we can do.

But I do think it is something that we must watch closely, but we at CPB are really in no position by the laws, or the rules to lean on the system to do anything about programming or anything of that nature. Again, I think that there are a lot of things being looked at in that regard as well, as to what we can do and what our influence might be upon the system in certain things.

But it is a dicey area. It is an area where we must tread very softly.

Senator HARKIN. So you are saying you do not control the format? CPB does not, it is the FCC?

Mr. TOWERY. That is right.

Mr. LEDWIG. They would control it, but the control of the underwriting is in the hands of the stations themselves through the national organizations.

Senator HARKIN. But you do not have any say-so over how the format is for the underwriters?

Mr. LEDWIG. No; we do not.

Senator HARKIN. That is all in the hands of the FCC?

Mr. LEDWIG. Requirements are set by the FCC but the control is in the hands of the stations.

Senator HARKIN. Well, what if the stations want to put on a commercial?

Mr. LEDWIG. Then the FCC, if it becomes commercial——

Mr. TOWERY. If the stations go beyond essentially what, the FCC felt were the bounds of decency then they would lean on them about it.

Senator HARKIN. When a company underwrites a program for public television, what tax consequences are there for that company?

Mr. TOWERY. What are the tax consequences?

Senator HARKIN. Do they get a tax break? Do they get a tax deduction for a charitable contribution?

Mr. LEDWIG. I will ask my general counsel, if I might.

Mr. TOWERY. I would assume in some cases, yes, but I think it would be an individual thing.

Mr. LEDWIG. It depends upon the nature of the station license, but most stations are eligible so that it would be a tax deduction.

Senator HARKIN. Just like when I send a check in to WETA or something like that, there is a tax deduction.

Mr. LEDWIG. Right.

Senator HARKIN. So if they put a lot of money into getting—and let me tell you, these are good programs. They are darn good. But they do get a tax benefit for doing that. Well, I think we ought to understand that, and that in terms of the commercial activity I think we ought to look at the regulations—as you say, you know it when you see it.

I mean, I think that they ought to be recognized. I am not saying that—they ought to be duly recognized for the contribution that the corporations make in underwriting public broadcasting. I have no problem with that. But to the extent that they start crossing that line and naming products, then I have a problem with it.

Mr. TOWERY. Well, it troubles me, and I do not mean to prolong this or keep butting in, and I know I wear two hats here. I wear one hat representing the Corporation and I wear another hat as a private citizen and it troubles me in that world to see this get a little bit out of hand. It is an unfair situation.

Senator HARKIN. I think we have to take a look at that. Did you have something else?

Mr. LEDWIG. Mr. Chairman, yes. I just wish to clarify, that the Federal Communications Commission has approved the rules for enhanced underwriting, which permits more than just the simple statement: "Brought to you by * * *." So the rules that now

permit enhanced underwriting have been set by the Federal Communications Commission.

Now, the Public Broadcasting Service controls underwriting of PBS programs and voluntarily does that, but the final decision lies, again, with the local station on how they style the underwriting for programs.

Senator HARKIN. But then the FCC approves it. You said they have approved it?

Mr. LEDWIG. They have approved some enhanced underwriting guidelines, yes.

Senator HARKIN. Enhanced. Well, I think we ought to take a look at that. I think that is going down a wrong path. That is going down exactly the wrong path. I was a little confused as to who did this. I thought you did it, but now I find out the FCC does it. Now we will just look at that. Thank you very much.

I welcome my distinguished ranking minority member, Senator Specter. Senator Specter.

PUBLIC BROADCASTING FUNDING SOURCES

Senator SPECTER. Thank you, Mr. Chairman. First, I would compliment public broadcasting on what I consider to be a very important public function that is doing a very good job. You have quite a number of stations in my State and I know that is only representative of what you do nationwide. How successful are you on raising money from public requests? I know there is a highly developed system for interrupting the shows at the critical point to call for money—[Laughter.]

And the requests last a very long time.

Mr. LEDWIG. Well, Senator Specter—we can give you a complete breakdown for the record of it, but, in general, CPB provides about 15 percent of the income to the system for public broadcasting, local governments 3.5 percent, State governments 16.5 percent, State colleges and universities 9 percent.

I guess I could summarize it by saying CPB and the Federal Government, other Federal grants 18 percent and I will summarize it, local and other governments 30 percent, private colleges, foundations, and businesses 21 percent, subscribers, auctions, and all others 29 percent. So it is a very mixed funding bag that we deal with.

Senator SPECTER. But the public provides 29 percent.

Mr. LEDWIG. Subscribers provided 21.2 percent in fiscal year 1987.

Senator SPECTER. You have requested funds to replace the satellite, yet they have been zeroed out in the President's budget. What will the impact be on public broadcasting if you do not get money for the satellite replacement?

Mr. LEDWIG. We have no place to turn but, really, to our programming funds and so I believe it would pull down funds from all over the Nation to try to——

SATELLITE INTERCONNECTION SYSTEM REPLACEMENT

Senator SPECTER. Well, how important is that satellite replacement in your operations?

Mr. LEDWIG. It is absolutely critical. There is no other way to distribute programs nationwide except through the satellite. It is the most cost-effective way of doing it. It was put in place by the Corporation working with the stations some years ago. It needs to be replaced now. It is critical. It is vital and it is the most important single big item out there for public broadcasting that I know of.

Senator SPECTER. Thank you very much. I share Senator Harkin's concern about advertising, although I will say this. When the public television sponsors, say whatever it is they have to say they do not turn up the volume like they do on commercial television.

Senator HARKIN. That is right. That is right. That is something else. Are you on the Commerce Subcommittee?

Senator SPECTER. I think we may be extending our jurisdiction too far.

Senator HARKIN. Well, I appreciate that and you are right. I just want you to know that we are concerned about it and I just want you also to know I am going to be talking to Senator Hollings, who chairs that Appropriations Subcommittee on the FCC and we will just take a look at that, on this enhanced advertising and he also does chair the Authorizing Committee so we can work together on that. So we appreciate it very much. If there is nothing else, we thank you.

I want you to know my two kids have grown up on "Mr. Rogers" and "Sesame Street" and all the fine programming at PBS and, in fact, I will say it right now, I did not let my children watch commercial television—well, now my older one does. But for the first formative years of their lives I stuck only to public broadcasting and I think they are better for it.

Mr. LEDWIG. We have some studies that show that, in fact, Mr. Chairman, and being from Iowa you are very fortunate because of your marvelous State system there under George Carpenter and others, and we are blessed in Iowa with a marvelous public television system there, as well as radio.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you. We will have some additional questions, to be submitted for your response.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

1. The Report accompanying the 1988 Act makes it clear that the $6 million set aside for the IPS is to be used exclusively for production; CPB is responsible for providing sufficient funds for the overhead and promotional costs of the services, as well as for its start-up costs.

-- What percentage of the production budgets of the other major public broadcasting series (such as Playhouse and Frontline) does promotion and overhead represent? How much has CPB set aside for the IPS for this purpose, and how has CPB assured itself that such amount will be sufficient?

CPB is not in a position to identify specific funding levels for promotion and administration of the IPS at this time. As required by the Public Telecommunications Act of 1988, CPB is working currently with organizations or associations of independent producers or independent production entities to develop a plan and budget for the operation of the IPS.

Comparisons to existing production vehicles like American Playhouse and Frontline in an effort to set funding levels for overhead and promotion of the IPS are irrelevant since CPB funds committed for those series are utilized for production, acquisition and packaging, as well as for promotion and overhead expenses. In addition, CPB is not the sole funder of any of those series. Each series receives significant support from public television stations and several have substantial production support from outside the public television system. Additionally, many of them receive substantive support for advertising and promotion from the private sector.

2. Since the IPS, as an outside program supplier to public broadcasting, is structurally analogous to other outside program suppliers, the Committee requests that CPB provide it with the budgets -- including specific breakouts for promotion, administration and overhead -- of the major consortia and series which also receive CPB funds: specifically, American Playhouse, Frontline, Great Performances, WonderWorks, MacNeil/Lehrer, and The American Experience.

It is premature to assume that the Independent Production Service will be structurally analogous to the existing major programming series. While the IPS has responsibility to create innovative and diverse programming, it is as yet unclear if its structure will comprise the cohesiveness of a single series like Frontline, American Playhouse, etc. It is possible, perhaps likely, that the IPS will create and/or support a number of series or single programs with differing formats. If so, its budget would be likened to a funding organization like CPB's Television Program Fund rather than to a production entity like WonderWorks or Frontline, whose staffs are responsible for production, packaging and promotion of a discreet series each season. Whether or not the IPS will have a similar function cannot be determined at the present time.

3. In the 1988 Act, Congress recommended that CPB increase its support for the minority programming consortia by an additional $3 million. CPB's previous funding to the consortia, from the Human Resources department, has been $800,000 annually.

-- Will CPB continue to allocate $800,000 from its administrative budget in addition to the $3 million budgeted from television program funds? If not, why not?

On March 21, 1989, the CPB Board adopted an operating budget for CPB for FY 1990 which will start on October 1, 1989. That budget included $3 million in additional funds targeted to directly enhance our effort to develop more high quality television programming by minority producers. In addition, CPB will continue, in FY 1990, to underwrite the operating expenses of the minority consortia at the $840,000 level as it has in recent years to assure that minority perspectives are represented among all public broadcasting categories.

Texas Republicans - Gentler and Kinder Budget

Mr. Towery, you are a well known and a well liked Texas Republican. Do you think we could get President Bush to be a little gentler and kinder with CPB's budget request in future years? It would make our job a great deal easier.

Senator, I deeply appreciate the predicate to your question. That is most welcome information which I will share with my wife, children and grandchildren. Public broadcasting leverages those "1,000 points of light," cited by President Bush, into millions of points of light which burn even more brilliantly. The small federal investment in public broadcasting through CPB is a catalyst which stimulates a nearly sixfold investment from a multiplicity of other sources in high quality, educational, informational, and cultural programming used by millions of Americans each week.

For only $1 per person a year, public broadcasting supports and gives added value to the administration's education initiatives. The contribution of public broadcasting to the American people--particularly to the children, the underserved, and those whose lives are touched by the outreach efforts on major social problems such as illiteracy, drug abuse, child care, AIDS, and more--is an important aspect of the kinder and gentler nation that the President envisions. First Lady Barbara Bush has firsthand knowledge of the lives which have been improved through public broadcasting's outreach efforts in Project Literacy U.S. (PLUS) as nonreaders learn to read and are able to contribute further to society.

Behind the budget numbers, there are real people whose lives have improved because of public broadcasting's efforts. CPB's 1988 annual report, which is due at the White House May 15, will tell the stories of such people who have benefited greatly from CPB's contributions. I have no doubt President Bush will be mindful of those many contributions as he faces the difficult task of proposing a budget that is responsive to the needs of the American people. I shall do all I can to get the President to make your job easier.

"Leave It to Beaver" on Public TV

The Committee has received an increasing number of reports of public TV stations purchasing commercial products such as "Leave It Beaver" and "The Andy Griffith Show" for broadcasting on their public signal. Can you tell us if this trend is growing and how these stations find it in their mission to broadcast these shows? What, if anything, is CPB doing to see to it that its member stations are offering a true alternative to commercial TV?

CPB does not have the data that would reveal whether the use of these specific programs is increasing or decreasing among public television stations. Since the funds available to public television stations collectively permit them to produce less than half the programming they air, stations frequently purchase programming from commercial sources, including feature films produced by Hollywood, programs made by American

for-profit independent producers, those made by foreign commercial producers, and some from off-network syndication.

In general, we do not believe that the share of airtime devoted to programs from commercial sources has changed significantly in recent years, but a growing number of local programs used by public television are made through coproduction ventures in which both commercial and noncommercial entities participate.

CPB does not intervene in or criticize the specific programming decisions of public broadcasting licensees. Moreover, CPB sees no reason to discourage use of commercial product per se, nor does it consider the use of a program on some commercial stations to warrant universal and permanent avoidance of the program by public broadcasters.

CPB does not have "member" stations. By statute, it must be independent of the broadcast licensees to which it distributes funds in fulfillment of its mission as a private, nonprofit corporation authorized by the Public Broadcasting Act, as amended.

"Commercials" on Public TV

I, and other members of the Committee, have expressed concern before about the expansion of the recognition of underwriters by public TV stations. Increasingly, these recognition efforts look more and more like your standard television commercial. Who controls the format for the recognition of funders employed by our public TV stations? What is CPB doing to reign in the expansion of these "commercials" on public TV stations?

Regulations controlling the format and nature of underwriting announcements on public television come primarily from the Federal Communications Commission (FCC). Those regulations are an element of the noncommercial, educational broadcasting license granted by the FCC to public television stations. Over the years, the FCC has investigated and developed regulations which reflect its view of how to preserve the noncommercial nature of educational broadcasting stations ultimately resulting in a Memorandum Opinion and Order (as well as prior Memorandum Opinion issued in 1982) reflected the amendments made to the Public Broadcasting Act by Congress in 1981, which included the addition of Section 399A to the Public Broadcasting Act, permitting the use of "business or institutional logograms" as a means for identifying any corporation, company, or other organization having given underwriting support to public broadcasting. Those logograms are not intended to be used for the purpose of promoting the product services or facilities of such corporation, company, or other organization, and are not intended to interrupt regular programming.

The other source of regulation by the FCC of these matters comes from a long-standing FCC requirement that all broadcasters "fully and fairly disclose the true identity" of all program funders. Noncommercial broadcasters use underwriting credits as a means of identifying its program funders. From the FCC's standpoint, the fundamental objective of underwriting credits is to identify, rather than promote, the funders. Consistent with this objective, the FCC has determined that underwriting credits may include the following identifying information, in addition to the underwriters name: "(1) logograms or slogans which identify and do not promote; (2) location information; (3) value neutral descriptions of a product line of service; and (4) brand and trade names and product or service listings." These regulations were identified in the Commission's Memorandum Opinion and Order in Docket 21136, issued in March, 1984. The Commission has routinely reviewed its findings on these matters and

oversees the activities of noncommercial, educational licensees to determine if they comply as a factor of their license. At the same time, the FCC has indicated that the public broadcasters good-faith judgment must be the key elements in meeting Congress' determination that the service should remain free of commercial and commercial-like matter. Therefore, with the advice of its member broadcast stations, the Public Broadcasting Service (PBS) has developed and administers a set of guidelines governing the manner in which funders of PBS programs may be credited on air.

In addition to ensuring that underwriting credits on PBS programs comply with FCC requirements, these guidelines have been developed to establish standards that can be used by all public television stations in their local decisions on underwriting credits. Therefore, while the PBS guidelines control the nature of underwriting credits on programs distributed by PBS with the PBS logo accompanying them, these guidelines are voluntary for the individual members of PBS to use in providing underwriting announcements at a local level.

It is CPB's position that issues like the individual compliance with underwriting guidelines is not within the authority of CPB. That is a local broadcaster matter and is adequately overseen by the FCC in their role as regulator of broadcast licensee action. Likewise, CPB has no regulations or role to play in the development of PBS guidelines for underwriting announcements that are carried on PBS' National Program Service.

CPB, however, participated actively in the FCC's inquiries about regulations to protect the noncommercial nature of educational broadcasting. As a matter of record, CPB has repeatedly requested that the Commission maintain a stricter standard against the proliferation of commercial-like underwriting announcements. In fact, in the 1984 Memorandum Opinion and Order in Docket 21136, the Commission expressly states: "Unlike the other petitioners, CPB viewed a general rule permitting a brand or trade name in every announcement as unnecessarily broad land contrary to the 'identification versus promotion' test established by the Second Report and ratified by Congress in Section 399A." CPB proposed a more limited standard whereby brand or trade names would be allowed if the underwriter does not offer products or services under its corporate name. CPB declared that "this standard provides an objective test of whether an underwriter will be recognized under its corporate name and therefore whether use of a trade name is necessary for purposes of identifying the underwriter to the public."

In other words, the Corporation has consistently maintained that more limited regulations and permissions should be in place than those standards requested by the industry or their national representatives. Beyond CPB's participation in the FCC rulemaking, CPB does not feel it has the authority to impose further restrictions on those types of local station broadcast decisions.

Proposed Cut in Services for the Handicapped

In looking at your proposed operating budget for FY 1990, I am concerned that while you expect to expand funding for program support by almost 7 percent, you intend to cut your efforts in captioning programs for the deaf by almost 43 percent. In total, your programming support activities for the disabled is cut by 30 percent.

Why did you choose to make reductions in this particular area?

Your operating budget says that CPB now requires that all video programming that is supported by the corporation be captioned for the deaf "if

appropriate and technically feasible." What percentage of programming now supported by the corporation is now captioned for the deaf?

Who decides whether or not captioning for an individual program is "appropriate and technically feasible" and how do they make these decisions?

CPB's budget for FY 1990 does not propose to reduce or eliminate its support for either the hearing or sight-impaired in the public broadcasting audience. CPB, in conjunction with PBS member stations, has underwritten the captioning of large quantities of television programming in recent years. In 1987 CPB adopted a policy of encouraging producers to deliver captioned programs for national distribution by PBS. Starting in FY 1989, CPB now requires producers to include the cost of captioning their program as an element of cost for the original production. This policy assures that all programs captionable are captioned and that the costs of such captioning are shared by all funders. During the transition period, CPB specifically set aside some funds to cover captioning for programs that had been produced in the past and had arrived at PBS for distribution uncaptioned after the policy had changed.

The volume of such programming is declining, thus warranting a reduction in FY 1990 in the amount of funds specifically set aside for such captioning. We do not believe that any reduction in the number of captioned programs will occur. In fact, the opposite should occur as the cost of captioning becomes simply another part of program production budgets and shared by all funders.

While specific data are not available on the percentage of current CPB projects that will be captioned, we expect that all programming that can be captioned using available technologies will be. Some programs such as dance and live performances may remain uncaptioned since there is no dialogue to be captioned. All decisions concerning the captionability of programming are handled by the distributor, PBS, and the program's producer.

Development of Independent Production Service

Mr. Towery, the new amendments to the Public Broadcasting Act enacted last year authorize the creation of an "independent production service" (IPS) and calls upon CPB to set aside at least $6 million for production funds for the new service.

-- **What steps has CPB taken to assure that the Independent Production Service will be in place and operating by October 1 of this year?**

The Corporation has established an internal task force whose attentions are to be directed towards establishing the IPS as soon as possible. Towards that end, the corporation has invited the National Coalition of Independent Public Broadcasting Producers and its leadership to meet with it to discuss the initial organization and implementation of the service. Those meetings have been held and an exchange of correspondence on the issues have taken place. In addition, the Corporation has agreed to provide the reasonable cost of incorporating the service in the District of Columbia and has established a relationship with the attorney representing the Coalition to prepare the necessary papers and file them. It is our belief that, assuming the cooperation on the part of the leadership coalition representing independent producers, such a service should be incorporated by late Spring, 1989, and the necessary plan and budget for the service should

be developed and submitted to CPB shortly thereafter. We are confident that with the cooperation of the Coalition, the service will be in place and operating by October 1, 1989.

I understand that the Public Broadcasting Act continues to require CPB to reserve "substantial funds" for independently-produced programs, over and above the $6 million set aside for the new Independent Production Service.

-- What measures is CPB taking to maintain, or increase, substantial levels of funding for independent producers throughout public broadcasting as the law requires?

The Corporation is maintaining the policies that it has had in place since 1978 whereby a substantial amount of funding is provided to independent producers through a variety of mechanisms. The Corporation will continue to maintain its Open Solicitation fund in its public television Program Fund. In addition, the Corporation's support of major, national series is all contingent upon those services allocating a substantial amount of the financial support it receives from CPB for independent productions that are included in the series. We believe that these policies are consistent with the requirements of the Public Broadcasting Act and have consistently resulted in a substantial amount of CPB's funds being allocated for independent production.

The report accompanying the new public broadcasting amendments stipulates that the entire $6 million set aside for the Independent Production Service be used for production. CPB is expected to set aside other funds for the overhead and promotional costs of the service.

-- How much has CPB set aside for these non-production activities of the Independent Production Service?

While the statute requires only that CPB "provide adequate funds for an independent production service, CPB has voluntarily made a commitment to provide $6 million to be used for production of programs selected by the independent production service. CPB, however, believes that it is inaccurate to describe funds provided for non-production activities as a "set-aside." The legislation clearly states that the funds provided for such independent production service shall be used exclusively in the pursuit of the Corporation's obligation to expand diversity and innovativeness of programming available to public broadcasting. The $6 million figure and the requirement that CPB provide additional costs were mentioned only in floor statements made during consideration of the legislation. Unfortunately, since the committee reports filed by the authorizing committees fail to mention the issue, CPB cannot look to report language for guidance. Futhermore, even the floor statements provide only that overhead and promotional cost of this service shall not be paid from the initial funding of $6 million a year. The remarks made by Senator Inouye were in part: "we assume that the IPS will be in full service by the Fall of 1989, with the understanding that CPB will provide start-up costs for the installation of this service this year with funds from the CPB administrative budget." (emphasis added)

In a similar statement issued by Congressman Markey, Chairman of the House Subcommittee on Telecommunications and Finance, the Congressman stated that CPB has agreed to provide start-up costs of the installation and service this year. "While the suggested $6 million funding level for the production cost shall come from allocations available for television national programming, the start-up costs shall not be paid out of funds allocated for television programming."

The conclusion we reach is that there is no official statement by either House of Congress that any amount must be "set aside" for

non-production activities of the service. Furthermore, the statements from the floor accompanying this Act, clearly state that CPB's obligation is for start-up costs only. Nevertheless, the Corporation has made a voluntary commitment to provide an appropriate level of overhead expenses for the new service. The amount of those expenses will be determined as the Corporation completes its discussions with the independent producers about the nature, scope, and structure of the service. CPB expects that any contribution it makes to overhead expenses of the service will have to come from its own administrative fund. Therefore, CPB will be constrained to impose on the service the same discipline and statutory restrictions imposed on CPB in order to keep the level of administrative expenses, and to attempt to reduce those expenses in order to reallocate funds for programming.

With these caveats in mind, the Corporation will attempt to work cooperatively with the representatives of independent producers in the establishment of the IPS to ensure that the service is viable and fully operational, but will limit the amount of expenses that the service incurs to those absolutely necessary to permit the service to accomplish its objective and to permit CPB to "ensure that the funds provided to such independent production to expand the diversity and the innovativeness of programming available to public broadcasting." (47 U.S.C. 396(k)(3)(B)(iii)(IV)

Is Full Funding for Satellite Replacement Needed?

CPB's funding request for 1992 includes $143.2 million for the cost of replacing the satellite interconnection system. This number just so happens to be the amount remaining under the $200 million authorization passed by the Commerce Committee last year.

What evidence do you currently have that the entire $200 million will be needed for the replacement of the satellite system?

Since the authorizing statute also required that you investigate the feasibility of leasing satellite or financing the project through private contributions, isn't it a little premature to request the fully authorized amount when these studies have not yet been completed?

What is the current status of these studies? When do you expect to report their findings to the Congress?

The law requires CPB to submit to Congress by March 1, 1990 a report detailing the satellite replacement needs of public radio and public television, the difference in cost between leasing satellite transponder capacity and buying such capacity, and the availability of private sector rather than Federal financing.

Estimates made available by PBS and NPR of the range of total replacement system costs are:

Television (Peat, Marwick, Main & Co.)

4 C-band transponder configuration

Low	$ 63,350,000
High	$106,000,000

4 C-band & 2 Ku-band transponder configuration

Low	$ 95,900,000
High	$189,100,000

Radio (Touche, Ross & Co.)

2 C-band transponder configuration $ 54,700,000

In addition, a chart prepared by PBS and NPR is provided that includes details of the expected costs of replacing the Satellite Interconnection System replacement (Appendix A).

The specific prices that have been proposed by the competing vendors with whom PBS and NPR are currently negotiating are, of course, both still confidential and subject to change as varying terms are negotiated, but there is no reason at this time for any significant departure from financial estimates provided to the Appropriations Committee staff by PBS and NPR last year. Those estimates suggest that at least $200 million is required for successful completion of the satellite replacement, with provision for growth and improvement of service, as proposed by PBS and NPR.

PBS and NPR have solicited proposals from vendors both in the form of a purchase and as a lease arrangement; they report no substantial advantage to leasing in price proposals discussed so far, although lease, prepaid lease, and purchase options are still solicited for all proposal revisions at each stage of the negotiations.

CPB expects NPR and PBS to evaluate the extent of possible savings carefully as they weigh specific vendor proposals. Analysis of this issue will be a part of CPB's report to Congress that the Public Telecommunications Act of 1988 requires by March, 1990.

If the federal government chose not to augment annual appropriations over the life of the lease by approximately the annualized equivalent of the purchase price, either leasing or a purchase financed in the private sector would require public broadcasters to divert significant amounts of additional resources (perhaps $15 to $20 million a year at typical current financial terms, depending on the total cost of the systems eventually selected) away from programming to defraying the costs of replacing the interconnection system.

Stretching-out Satellite Replacement Costs

If this Committee were to provide a second down-payment toward the satellite replacement project rather than the entire amount in FY 1992, what would be the effect on the overall costs of the project?

What contingency plans do you have should the Committee not be in the position to finance the complete authorization for a satellite replacement project?

The principal effect of waiting for FY 1993 to appropriate a substantial share of the full cost would be to necessitate a fairly modest diversion of funds from programming to financing costs for the satellite projects in order to defray costs of interim financing or deferred payment schedules that would be required, although the deferral of appropriations might also be taken as a sign of uncertainty that would affect the overall cost of funds borrowed.

A decision eventually to appropriate less than the full $200 million would require a very significant diversion of funds by public television and radio stations. Both PBS and NPR have made preliminary investigations of the possible sources of private-sector financing, should that become necessary. They have also sought proposals from vendors for scenarios of minimal capacity replacement without adequate provision either for further

growth or for likely technical change. If the eventual decision were not to appropriate the full amount, the most likely course could be a combination of "technical scrimping," obtaining interim service for a shorter period, and recourse financing through the private sector with attendant financing costs.

When Will the Satellite Fall Out of the Sky?

Your budget materials indicate that the current satellite system will fall out of service some time during FY 1991, the first year for which we have provided funding for the satellite replacement project.

What plans do you have to ensure that there will not be an interruption in satellite service as the new system is developed?

Westar IV, the satellite currently used, will run out of fuel for transponder operations (but not fall from orbit) sometime in 1991. It must be replaced by that time with other transponder capacity.

Both PBS and NPR expect to reach agreement with a vendor (or perhaps a primary vendor and a back up vendor) by the end of 1989 for a space segment package offering service and backup to be available on that schedule.

All vendors were asked to propose interim service between the beginning of 1991 and the availability of their primary replacement capacity if that primary replacement capacity is not available until later. (The physical life of the systems that will not become available until several years later may actually extend the useful life of this replacement project beyond the 10-year planning period.)

Both the timing of replacement service availability and the extent of geographical coverage provided by replacement service are critical to uninterrupted continuation of service. The television system interconnects licensees in the 48 contiguous states, Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands, i.e., the entire public television system except for Guam and American Samoa. The public radio system interconnects stations within the same "footprint" as the television system does; although the geographic range of stations, from east to west, is slightly different.

It became clear early in the planning, for example, that no network of fiber optic landlines could offer coverage of the public television or public radio station universes as complete as the existing satellite system before the end of the century, at the earliest. Because coverage at least equal to current coverage is an important technical objective for the replacement systems, fiber optic landlines were dropped from consideration. Similarly, earlier this year, PBS dropped a vendor from further consideration "at present" because it proposed a less-than-optimal orbital location, which would force public television to forgo coverage that it considers a requirement.

Status of Negotiations with Satellite Vendors

Would you please bring us up to date on the status of your negotiations with vendors for the satellite replacement project. When do you expect to go to contract on the project? And, what steps have you taken to ensure a competitive process for the awarding of that contract?

As anticipated by the Public Telecommunications Act of 1988, all matters of satellite replacement are being handled by the designated representatives

of the public stations for this purpose -- PBS for public television and NPR for public radio.

In December 1988, the public television Interconnection Committee approved, and the PBS board ratified, a phased options approach to acquiring replacement space segment capacity. This approach calls for public television to obtain four C-band transponders in 1991, with options both (1) to convert to a primarily Ku-band system in 1993-94, and (2) to obtain two additional transponders, one in 1993-94 and one in later years.

In light of expectations for the approximate midpoint of a replacement system's design life, NPR has chosen to plan for a two-transponder system, as well. NPR decided in 1987 to stay with C-band technology, both because superior technical performance is expected to public radio's applications and because current downlink infrastructure, which is in good shape, would not need to be replaced entirely. Moreover, lower unit costs were expected for the space segment.

PBS issued a request for proposals from space segment vendors in November of 1987. Responses were received from:

AT&T Communications
GTE Spacenet
COMSAT General Corporation
GE American Communications, Inc.
Hughes Communications, Inc.
Western Union Telegraph Company

Western Union later withdrew in view of the impending sale of its satellite assets to Hughes. PBS declined to pursue COMSAT's proposal because the company failed to identify specific satellite capacity that it could provide, but offered to act as general contractor for a replacement system. Early in 1989, PBS dropped GE Americom from further consideration "at present," because it proposed a less-than-optimal orbital location, which would force public television to forego coverage that it considers a requirement, and also because the company offered as the primary satellite a technology that has been in storage since 1986.

Negotiations are under way with PBS's remaining three vendors. Various combinations of price, service, transition timing, backup arrangements, and interim service before and after the life of the primary replacement service, were provided by each company, including both single-band and hybrid satellites. PBS expects to select a vendor (or perhaps a designated vendor and a backup vendor) by the end of 1989.

NPR issued a request for proposals for the space segment in August of 1988. Responses were received from:

AT&T Communications
General Electric
GTE
Hughes Communications, Inc.

After initial technical review of the proposals (including respecification of proposed service by a vendor that failed to win FCC authorization for its proposed orbital position), NPR has begun negotiations with two of these vendors and will begin detailed talks with the others by the end of April. A variety of price, service and back up combinations was provided by each company, including both one- and two-transponder prices. NPR expects to reach agreement on a space segment package by the end of 1989.

The satellite replacement projects are being conducted at both PBS and NPR, which have been designated by the licensees as their agents, through the

interconnection committees under which they operate the current interconnection systems by agreement with CPB. The membership nature of the two organizations and the oversight provided by the even more broadly representative interconnection committees are perhaps the best guarantees of a competitive process.

PBS is a nonprofit membership organization, whose members are almost all of the nation's public television stations; the directors of PBS are elected by member stations. Licensees of both member and non-member stations elect representatives to the Interconnection Committee, which develops and monitors policies for use of the television transponders.

NPR is a nonprofit membership organization, whose members are more than 275 noncommercial radio stations. Licensees of both member and non-member stations, and other users of the interconnection system, elect members of the Distribution/Interconnection Committee, which establishes and oversees policies for use of channels on the radio transponder.

Station's Loss of Buying Power to Inflation

You have stated in your budget materials that the public television and radio stations have endured a dramatic loss of buying power due to inflation and the rather marginal growth in appropriations for community service grants. What is the scale of the loss of this buying power?

What kind of funding would be necessary to restore stations to the buying power they had ten years ago?

Between 1980 and 1990 CPB's federal appropriation has lost 6.3 percent in buying power if you use the CPI as a measure for changing costs. We believe that the costs associated with producing radio and television programming and the costs of operating public radio and television stations have also increased faster than general prices as measured by popular inflation measures.

In addition, in FY 1980 CPB made grants to 171 public television stations and 202 public radio stations. In FY 1990 CPB expects to provide grants to approximately 193 public television stations and as many as 320 public radio stations.

Thus in 10 years while the funds appropriated have declined in relative buying power, compared to 1980, 140 additional public radio and television stations have been added to the system. These added stations have forced CPB to spread its available funds to many more recipients, consequently reducing grant levels that otherwise would be provided to all eligible stations.

Data show that CPB's FY 1990 appropriation of $232.6 million would have to be increased to $248.0 million, using the Administration's assumptions for inflation for FY 1989 and FY 1990 to simply adjust for lost CPI buying power. This amount would have to be increased substantially if grants to all eligible individual stations were to receive support equivalent to the value of support received by stations in FY 1980.

"Outreach Programming" on Public Policy Purposes

This Committee in the past has been very supportive of CPB's efforts with "outreach programming" to raise the consciousness of the public on issues such as drug abuse and safe child care. Can you tell us what plans CPB has for the future of outreach programming and what has been the trend for CPB funding for these initiatives?

CPB initiated formation and financing of the Public Television Outreach Alliance (PTOA) which is now entering its fourth season. CPB enthusiastically supports the concept of outreach and the work of the Alliance. CPB Television Program Fund support in the amount of $1 million has been committed annually since PTOA's inception. Also, Program Fund support has been augmented by funds from other CPB departments -- Education and Corporate Communications.

CPB Education funded the video outreach for Project Literacy U.S. (PLUS) for two seasons; provided funds for Hispanic language programs about literacy on NPR; and supported Kentucky Educational Television in revising several of its literacy television series.

CPB's Office of Corporate Communications funded and staffed the PLUS 2 workforce literacy promotion effort, including a news conference, press kits, and business breakfast and business materials on the day of the airing of the documentary "A Job To Be Done." This was a team effort on the part of CPB, WQED, the producing station for the PBS documentary, and ABC/Capital Cities, Inc. CPB also worked with the Public Television Outreach Alliance "Child Care America" project and produced a safety campaign for latchkey and other children. More than 228,000 orders for the award-winning booklet "What If I'm Home Alone? Your Family's Guide to Home and Personal Safety Skills" have been received from individuals, organizations, and corporations. It is also being used by teachers in classrooms to provide basic safety instructions. Thousands of orders continue to be received by CPB along with letters of support for this effort. In addition, CPB is also working with KCTS in Seattle, the producing station for "America in the Age of AIDS" and the AIDS outreach project, and is supporting a high school AIDS education video contest.

Many public television stations are taking local leadership positions on outreach issues such as WTVS in Detroit who has created "Club Connect," a weekly half-hour magazine series designed to encourage young people to think about themselves, their relationships with others and the world around them.

In an effort to heighten awareness of the importance of outreach, the Alliance is creating an Outreach Newsletter, due out in June, that will share local outreach efforts with stations around the country. Through this vehicle, all can learn of exciting new initiatives like "Project Crossroads," an effort being implemented by KERA in Dallas, aimed at relieving racial tensions.

Fall 1989 will see the debut of PLUS IV: Mentoring, a continuation of the literacy project focusing on adults who intervened at a crucial point in the lives of children and youth. In the Spring of 1990, outreach efforts will focus on the environment, although a specific topic has not yet been identified.

Public Broadcasting-Market Share

Could you please tell us what the recent trends have been regarding the number and percentage of people watching and listening to public broadcasting. Is viewership of public TV up or down? Are more people or less people listening to public radio these days?

Public television audiences continue to grow, reaching 58.6 percent of all households over the course of a week in January, or 101 million viewers. This reflects the continual growth in public broadcasting viewers over the past 20 years. In 1975, the average weekly public television audience equalled approximately 50 percent of all households. But the most dramatic

increases in public television viewing over the past eight years have occurred with those groups at the lower and middle rungs of the employment and education ladders.

In public radio, during 1988, listenership continued to grow, with the cumulative audience--that is, the total unduplicated number of different households or persons who listen--of all CPB-qualified stations reaching nearly 12 million people. This represents an increase of nearly 2 million public radio listeners over the past few years.

Set-aside for Minorities Programming

The new authorization bill passed last year requires that you set-aside a portion of funding for the development of programming that addresses the needs and interests of minorities. Please bring us up to date on what steps you have taken to address this new requirement.

In late February, Television Program Fund staff and representatives of CPB's Human Resources Development department met with the executive directors of the Minority Programming Consortia. With a planned transfer of consortia activities to the Program Fund, the emphasis of the meetings focused on making national programming their top priority in the years ahead. Consortia leaders agreed with this increased emphasis on programming, and feit that it matched their individual organizational priorities.

The Consortia have formally requested research and development funds to enable them to work together to coordinate many of their activities toward the goal of bringing more national programming to the system. CPB agrees that coordination among them is in the best interests of furthering the mandated goals, and promised to make a decision on the request as expeditiously as possible.

The Consortia have been assured that they will have primary input into whatever vehicles are created for distribution of the $3 million earmarked by Congress for minority programming beginning in FY 1990. To initiate the effort, they will provide listings and scenarios of potential national programming ideas and programs currently in their programming pipelines.

CPB agreed to work diligently with the Consortia to create a more effective policy governing programming by, for and about minorities in the United States. We have received assurances from the Consortia that they will support CPB in its efforts to create programming suitable for distribution to the public television system. They are especially interested in helping to generate programming appropriate for inclusion in existing programming strands.

Discussions have also been initiated with a nationally-known minority foundation to explore the possibilities of using CPB funds as a catalyst to leverage funds from outside of public broadcasting. Finally, Program Fund staff have redoubled efforts to attract and fund minority programming through existing vehicles. Special outreach efforts by staff include: attendance at and participation in national and regional minority conferences; development of a handout for independent and minority producers, "How to Successfully Compete for Program Dollars;" and reemphasize to major programming strands of the need for and importance of diversity within those series.

CPB hopes to have developed specific options for maximum utilization of the funds earmarked by Congress for minority programming in FY 1990 by the end of April 1989.

Administration of System Support Funds

The Committee has been informed that CPB is changing the manner in which it administers its "system support" budget. Please explain why this is occurring and what effect it may have on the level of funding for the many activities financed through the system support budget.

In 1988, Congress passed legislation that will require CPB to distribute all earned interest income to programming activities starting in FY 1990. In recent years CPB has allocated approximately 50 percent of such interest income to television programming projects and 50 percent to system support activities. In FY 1990 we estimate that we will earn approximately $8.2 million. In the past we would have allocated approximately $4 million from these funds to system support activities.

Since we are not able to make such allocations in FY 1990 we have had to review all spending in this area. CPB's adopted FY 1990 budget included across-the-board cuts in most system support activities and the consolidation of several essential activities into a System Development Fund (SDF). We believe that such a fund can direct limited available discretionary funds to the most critical needs of the system annually, at less cost. In 1990 CPB has allocated $2 million to the SDF.

Rural Unserved Areas

Your budget materials indicate that there are still areas throughout the country that do not have access to either a public radio or a public TV signal. Where are these areas likely to be located? And what plans do you have to serve these areas in the future?

There are three categories of areas that do not have access to a public radio or a public television signal. The first category is made up of small cities or ex-urban areas on the fringe between major metropolitan areas. Examples of areas that typify this category may be found in Pennsylvania, New Jersey, New York and portions of New England.

The second major category consists of small cities that are remote from major metropolitan areas. The best example is Texas, where there are a number of small cities with few people in between.

The third category is comprised of fast-growing non-metropolitan areas. There are rarely more than about 60,000 people in these areas, and they are generally thought of as rural areas. Mendocino County, California and La Porte County, Indiana are two examples.

The first two categories account for the greatest numbers of people who are unserved by a public broadcast signal, but we are mindful of the rapid growth in the third category in our expansion planning, which is still in progress. In public radio in particular, we are exploring a number of options in consultation with an ad hoc task force comprised of staff from the principle national public radio organizations and managers of both CPB qualified and non-qualified stations.

Appendix A

Public Broadcasting
Satellite Interconnection Replacement

	Based on Current Appropriation Level of $56,850,000	Based on Receipt of Remaining Authorization ($143,150,000) in FY 1992)
Public Television:	$172,624,000	$172,624,000
Public Radio:	$ 53,832,000	$53,832,000
Total Public Broadcasting Satellite Interconnection Costs[1]	$226,456,000	$226,456,000
Less Discounts and Funding:		
Prepayment Discounts[2]	$ (0)	$(16,700,000)
Federal Funding	(56,850,000)	(200,000,000)
Net System Cost	$169,606,000	$ 9,756,000
Financing	$ 90,250,000[3]	$ 0
Total Cost to System	$259,856,000	$ 9,756,000

Footnotes

1. Total costs (including space segment, ground equipment, project administration costs, insurance costs, and transition costs) are based on the average costs of current vendor proposals and other market information plus a 10% contingency factor. The costs are based on 13 years of service on an 8-transponder system (6 transponders for public television and 2 transponders for public radio).

2. Presently the space segment vendors are offering prepayment discounts based on an annual interest rate of 12%. The receipt of the $143.19 million in FY 1992 (i.e., the remainder of the $200 million authorization) would allow public broadcasting to take advantage of such discounts.

3. Financing could be provided for the purchase through traditional bank financing or in turn, the vendors have offered 10 year leases for which the total payments over the life of the lease equate to the purchase price plus financing costs at the level indicated. The two primary disadvantages of a lease include: (1) The additional implicit financing costs of approximately $90 million dollars over the life of the lease; and, (2) The loss of any potential service on the satelite beyond 10 years without incurring additional leasing costs. (Presently many of the satellites have design lives of 12 years, but are being warranted for 10 years. The vendor's pricing is such as to recoup the total costs plus financing over 10 years. If the satellite does indeed have two additional years of service, under a lease agreement this service would have to be contracted and paid for; under a purchase scenario, however, public broadcasting would own the transponders, with the potential of two additional years of service at no additional cost.)

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF JERALD C. NEWMAN, CHAIRMAN

ACCOMPANIED BY:

DR. LEE EDWARDS, VICE CHAIRMAN

DR. SUSAN K. MARTIN, EXECUTIVE DIRECTOR

MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

ACKNOWLEDGEMENT OF DR. BESSIE B. MOORE

Senator HARKIN. Thank you. Next we will go to the National Commission on Libraries. I am informed we have a vote at 12 o'clock, so we are going to try to wrap-up before then.

The next witness will be Mr. Jerald C. Newman, Chairman of the National Commission on Libraries and Information Science. With him is Dr. Lee Edwards, the new Vice Chairman of the Commission.

I must note without any disrespect to Dr. Edwards that for the first time in many years we are not able to welcome Dr. Bessie Moore of Arkansas as the Vice Chairman of the Commission. Dr. Moore served on the Commission every year since its inception in 1970 and was reappointed by Presidents of both parties up until last year.

She was a very articulate spokesperson for the Commission, especially for the library and information needs of the elderly, and her visits with this committee had become a tradition and so we were very sorry to see that she was not reappointed.

PREPARED STATEMENT

So Mr. Newman, again, welcome to the committee. Please introduce your staff and your statement will be made a part of the record. If you could summarize in 5 minutes we would appreciate it.

[The statement follows:]

STATEMENT OF JERALD C. NEWMAN

Mr. Chairman and members of the Subcommittee, I am Jerald C. Newman, Chairman of the National Commission on Libraries and Information Science. I am pleased to present to you the Reagan fiscal year 1990 budget request, which totals $770,000. This budget represents an increase of $29,000 over last year's adjusted appropriation. It is our best estimate of the resources needed to maintain current programs, including absorption of the government employee pay raise, and to support a limited number of new initiatives.

On February 9, President Bush announced his budget plan. Resources for NCLIS are included in the "residual" part of the plan. That means there is no specific resource level for any one program, but the total outlay for 1990 for all such programs is $136 billion. The final 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of those negotiations, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope that many of them are incorporated into the eventual compromise budget solution.

Our unique mandate, expressed in PL 91-345 as amended, requires the Commission to assess national library and information needs, advise the Congress and the President on policy in this area, and to coordinate selected planning and activities in both the public and private sectors at the local, state, and national levels. The magnitude of this charge, when compared to the small size and limited resources of the Commission, requires us to concentrate our work into a few priority areas.

We have established four broad program areas: Literacy; Democracy; Productivity; and Policy, Planning, and Advice to the Federal Government. Within each of these areas, NCLIS typically holds hearings, conducts studies, monitors and comments on developments, and seeks partnership programs with other agencies

and the private sector or other organizations to maximize the impact and minimize the cost, to us, of each project. We then report to the Congress and the President on our findings. I would like briefly to review recent past accomplishments and FY 1990 objectives for each of these four areas.

LITERACY

The Literacy program area extends beyond our nation's well-documented illiteracy and aliteracy problems to focus on the broader question of equal opportunity of access to information for people of all ages and all population groups. The Commission is addressing these concerns through a multi-pronged approach. To publicize the good work and monetary contributions of individuals and organizations from other fields in organizing or supporting exemplary library, literacy, or information skills development programs, we have established an annual nationwide Recognition Award. The first two recipients, Pizza Hut, Inc. for its BOOK IT program and Reader's Digest for wide-ranging and substantial support for various programs through its Foundation, serve as models of positive involvement.

In conjunction with the American Association of School Librarians, NCLIS has spent the last year planning and organizing an invitational conference of top educators from over 20 education associations to address the role of the school library media program in the education process. In this era of reevaluation of our education system and school curriculum reform, the library media program must be seen as a crucial element in teaching the fourth 'R,' research, and in helping children develop the interests and information skills needed in a learning society. Scheduled for early April, 1989, we envision that this in-depth symposium will act as a true catalyst for improvement.

The Commission promotes the activities and accomplishments of volunteer service providers in a number of programs, including our Memorandum of Understanding with ACTION, the federal domestic

volunteer agency. This particular program uses older adult volunteers to assist professional librarians providing services to children using the public library during after-school hours in demonstration pilot projects set up in 18 libraries in 12 states. Legislation proposing a similar program was introduced late in the last session of Congress by Rep. Olympia Snowe, whose staff we have informed about our efforts.

With a view forward to the upcoming second White House Conference on Library and Information Services, this past January NCLIS paid a visit to four Indian pueblo public libraries in New Mexico. The following day we held hearings on American Indian library and information needs and on internal and external obstacles to meeting those needs. Testimony was presented by 12 representatives of 7 tribes and 4 other organizations from as far away as New York State and Wisconsin. At its April meeting, the Commission will invite representatives of the Bureau of Indian Affairs and the Department of Education's Library Programs Office, which administers LSCA Title IV funds targeted to Indians on reservations, to present their views. NCLIS will then make recommendations based on all the testimony presented.

We have also mounted a major undertaking, in cooperation with and largely funded by, the National Center for Education Statistics. The Federal-State Cooperative System for Public Library Data (FSCS) has relied on a task force comprised of state library agency, Public Library Association, American Library Association, NCES, and NCLIS, and other representatives to develop a joint plan for uniform, coordinated collection of public library statistics. From a core of 19 states in 1988, the number of committed states has more than doubled, to 40, in 1989.

Program objectives for FY 1990 under Literacy include further development and implementation of the FSCS statistics program with the Department of Education and expansion of our cognizance and use of relevant Census Bureau and Bureau of Labor Statistics

data. We also intend to continue the annual Recognition Award, disseminate the proceedings and urge adoption of the recommendations of the April symposium on the role of the school library media program in education and information literacy, and continue ongoing programs that address workplace illiteracy through improved information-using skills in conjunction with the Small Business Administration, Business Council for Effective Literacy, and offices of the Departments of Labor and Education.

DEMOCRACY

The basis for the Democracy program area lies in the availability and accessibility of information for citizen use in following various community issues and for local government decisionmakers acting on those issues. In this connection we have promoted the inclusion of libraries in the celebration of the Bicentennial of the U.S. Constitution; monitored and commented on preservation and dissemination of electronic records issues raised by the Office of Technology Assessment, the National Archives and Records Administration, and the Department of Commerce; and publicized the work of leaders in the preservation field. In January the Commission adopted a resolution supporting a national policy for the use of permanent paper, and in March we cosponsored with the Library of Congress a conference oriented to preservation at the statewide level. We also hope to hold hearings on the OTA report Informing the Nation during the summer.

Our "Information for Governance" program focuses on the potential of public libraries, as neutral and widely available sources of information, for providing services tailored to the needs of interested citizens as well as local government officials grappling with community problems. A number of preliminary meetings have been held, three model governance information services in different public libraries have been identified, and plans have been made to produce a videotape on

this subject. We are now seeking outside funding for this video tape.

For FY 1990, we intend to produce and disseminate the governance videotape and continue to follow issues related to the production, dissemination, and preservation of government and other information. We also will publish and disseminate the results of our hearings on the OTA report.

PRODUCTIVITY

The Productivity program area relates to the increasingly large and important role which information, its sources, and attendant technologies play in the economy. Among our programs are follow-up activities to a series of trilateral meetings on aspects of information policy and the economy with representatives from Canada and the United Kingdom. A further meeting is scheduled for this summer to outline implementation steps arising from the Glenerin Declaration, which embodies the recommendations of the meeting participants.

A program designed to assess the impact of information technologies on society is just getting underway. The "Information Age" program will bring together a working group to enumerate technologies and their respective advantages and disadvantages and a blue ribbon panel to discuss issues and make recommendations.

In FY 1990, the Information Age program will generate further recommendations from hearings to be held on the societal impacts of information technologies. All of the conclusions of the various groups involved in the program will be reviewed and evaluated by the Commission and presented to the Congress and the President.

POLICY, PLANNING AND ADVICE TO THE FEDERAL GOVERNMENT

The Policy, Planning and Advice program area represents ongoing monitoring of national and international library and information-related issues and submission of the Commission's recommendations to the executive and legislative branches. We

have recently published the transcript of hearings held on the "sensitive but not classified information" issue. Since the United States' withdrawal from UNESCO, we have also routinely advised the State Department on the dispensation of funds slated to enhance U.S. involvement in international library/information organizations and activities.

Over the past year we have advised OMB, various executive branch departments, and the Congress on a range of issues including Commerce's draft regulations on the dissemination of electronic information, the OMB revision of Circular A-130, legislation introduced by Senators Pell and Gore and Representative Snowe, the proposed Library Improvement Act, and the necessity of a second White House Conference on Library and Information Services.

WHITE HOUSE CONFERENCE

Mr. Chairman and subcommittee members, I have saved perhaps our most compelling effort until the last -- the second White House Conference on Library and Information Services. As you know, PL 100-382 received extensive bipartisan support in both houses of Congress and was signed into law last summer. NCLIS has worked in close cooperation with many organizations, both grassroots and national, to see this legislation to fruition. Now 28 of the 30 Advisory Committee members have been appointed. Many states have already drawn up their WHCLIS preconference plans and timetables. All of the basics are in place to begin a library and information services needs assessment of national scope, on which policies and priorities for the next decade will be based.

Thank you for the opportunity to testify today. I will be happy to answer any questions you may have.

BIOGRAPHY OF JERALD C. NEWMAN

Jerald C. Newman was appointed by President Reagan in May, 1987 as Chairman of the National Commission on Libraries & Information Science, which is a permanent, independent agency that advises Congress and the Executive Branch on national library and information science policies, plans and concerns. Mr. Newman had been serving a five-year term on the Commission, which was due to end on July 19, 1987. Since that date, he was nominated to a second term by President Reagan and confirmed by the U.S. Senate and continues to serve as Chairman of the Commission. His new five-year term ends July 19, 1992.

Born January 10, 1932 in New York City, Mr. Newman received a B.S. in Management in 1953 and an M.B.A. in Management in 1954 from New York University, and completed major concentration requirements in the New York University Graduate School of Business Ph.D. Program.

Mr. Newman is currently a Management Consultant and Investment Banker, with offices located in Lake Success, NY. He has spent the last twenty years in banking; his last position being President of the Bowery Savings Bank. Prior to that time, he held senior positions with Bank Leumi Trust Company of New York and National Bank of North America. He has also served as a management consultant to corporate and government entities in the United States, Central America and Africa. Prior to entering banking, he had responsibilities for information science and data processing activities at R.H. Macy and CBS, Inc.

Mr. Newman has received awards for distinguished service, including the State University of New York at Stony Brook (University Medal) and the Association of the United States Army (Distinguished Service Award), and has also received gold keys for excellence in management from Long Island University and New York University.

From 1967 to 1983, Mr. Newman served as an Adjunct Professor of Business Administration at the C.W. Post Center at Long Island University where he instructed advanced courses in business policy, computer science, and management information systems. From 1976 to 1979 he served as President of the Association of Council Members and College Trustees of the State University of New York. From 1972 to 1974 he was Consultant to the Secretary of Health, Education & Welfare on matters of higher education and civil rights. He has authored Should The Closed Shop Provisions of the Taft Hartley Act Be Amended? (1954), and Can Oil & Water Mix? (1976).

Mr. Newman is currently a member of the U.S. Advisory Panel on ROTC Affairs, is Civilian Aide to the Secretary of the Army, and serves on several Boards, including the National Strategy Information Center. From 1956 to 1958 he served as a First Lieutenant in the United States Army.

BIOGRAPHY OF LEE EDWARDS

Dr. Lee Edwards is the Director of the Institute on Political Journalism at Georgetown University, and was recently an Institute of Politics Fellow at the John F. Kennedy School of Government, Harvard University. He has a Ph.D. in World Politics from the Catholic University of America. He is the author of Ronald Reagan: A Political Biography and You Can Make the Ditference (both published in 1980), and has written

and lectured extensively on political and foreign policy subjects. NCLIS Commissioner 1985-1990.

BIOGRAPHY OF SUSAN KATHERINE MARTIN

Personal: Susan Katherine (Orowan) Martin
Executive, Director, National Commission on Libraries and Information Science (eff.8/1/88)
1111 18th St., N.W., Suite 310
Washington, DC 20036
(202) 254-3100

Born: Cambridge, England, 14 November 1942

Home Address: 3518 Garrett Court
Ellicott City, MD 21043
(301) 988-9893

EDUCATION:

B.A., Tufts University, cum laude (honors program in Romance Languages), 1963
M.S., Simmons College, Library Science, 1965
Ph.D., University of California, Berkeley, School of Library and Information Studies, 1983

EMPLOYMENT:

U.S. National Commission on Libraries and Information Science:
Executive Director, 1988-
Responsible for providing leadership, direction and planning of national programs to assure the optimum provision of library and information services in cooperation with state and local governments, as well as public and private agencies. Report to the Chairman of the Commission and participate with the members of the Commission in the development and recommendations of overall plans and policies. Specifically, identify problems and needs in the area of library and information science which are of importance to the nation, conduct or coordinate studies, develop legislation, and advise the Executive and Legislative branches of government in these areas. Supervise the professional and technical staff of the Commission.

The Johns Hopkins University:
Director, Milton S. Eisenhower Library, 1979-88
Responsible for the operation of a library with two million volumes and 150 staff. Report to the Provost of the University. Work with staff, faculty, and administration in planning and implementing policies for the Library in order to provide a library service which fulfills the research and instructional needs of the University. Represent the University and the Library on regional and national groups. Ensure appropriate library collection development. Engage in development and fund raising activities on behalf of the library. Member of University committees.

University of California, Berkeley:
Head, Library Systems Office, 1973-79
Responsible for a staff of six professional and up to eleven non-professional employees. Coordinate the development of automated systems throughout the Library and supervise systems analyses in all areas. Participate in Library-wide administration. Work with libraries within and outside the

University of California system. Special tasks: chairman, Library Budget Priorities Task Force; Bancroft Library Technical Services Task Force; member, Committee on Appointment, Promotion, and Advancement; chair, Collection Analysis Project Organization and Staffing Task Force; member, circulation system negotiation team.

Coordinator, UCB/Stanford Research Library Cooperative Program, 1977

Coordinate the UC Berkeley activities of a three-year externally funded program to stimulate resource sharing between the two research libraries. On the Berkeley campus, work with the collection development officer, head of inter-library loan, head of circulation, and Associate University Librarian for Technical Services to develop procedures for cooperative services. Responsibilities include fund accounting, management reporting, and liaison with campus administration.

Harvard University Library:

Systems Librarian, 1965-73

Responsibilities included systems analysis and design in the various units of the University Library, as well as programming and maintenance of the acquisitions and circulation systems. Supervised clerical staff and operation and maintenance of the automated shelflist system, as well as production of Current Journals in the Sciences.

Intern in the Harvard College Library, 1963-65

Included cataloging, reference, and data processing experience.

PROFESSIONAL ORGANIZATIONS AND ACTIVITIES

American Library Association

Member, ALA Council, 1988-

Legislation Committee Copyright Subcommittee, 1981-87; chair, 1984-85.

Alternate to U.S. National Committee for the UNESCO General Information Program, March 1980.

Resource person for ALA delegation to National Commission on New Technological Uses of Copyrighted Works. October 1977.

International Relations Committee: selected to be one of a three-member delegation to the Soviet Union, November 13-27, 1976.

Library and Information Technology Association (formerly Information Science and Automation Division):

President, 1978-79

Member-at-large, Board of Directors, 1972-75

Chairman, Editorial Board, 1973-77

Chairman, Conference Planning Committee, 1972-73

Member, ISAD/LED Committee for Education in Library Automation, 1967-72 (Chairman, 1967-71)

Chair, LITA/RASD/RTSD MARBI Review Committee, 1984-86

Member, Emerging Technologies Committee, 1984-86

Resources and Technical Services Division:

Member, Cataloging Form, Function, and Use Committee, 1981-82

American Society for Information Science

Chairman, Technical Program, 39th annual meeting, 1976

Secretary, New England chapter, 1970-72

Member, Publications Committee, 1979-80

Association of Research Libraries

Member, Task Force on National Library Network Development, 1981-83

Member, Public Services Advisory Committee, 1982-84
Member, Committee on Management, 1984-87
Member, Statistics Committee, 1987-88

Universal Serials and Book Exchange
Member, Board of Directors, 1981-82
Vice President/President/Past President, 1983-85

PALINET (Philadelphia Area Library Network)
Board of Directors, 1980-82

Research Libraries Group, Inc.
Member, Board of Governors, 1979-
Member, Executive Committee, 1985-87
Chair, Computer Systems and Operations Committee, 1985-87
Chair, Library Technical Systems and Bibliographic Control Committee, 1985-87
Member, Human Resources Task Force, 1988

PUBLISHING AND EDITING:

Journal of Library Administration, Editorial Board, 1986-
Library Issues: Briefings for Faculty and Administrators, Board of Contributors, 1979-88
Advanced Technology/Libraries, Board of Consultants, 1973-
Journal of Library Automation, Editor, 1973-78

STAFF DEVELOPMENT AND TEACHING:

University of Maryland, College of Library and Information Services:
Instructor, Library Networks, graduate course, Spring 1981

University of California, Berkeley:
Designed and taught a systems workshop for library staff, 1974-75
Coordinated continuing education seminars, 1975-78

Harvard University Library:
Chairman, Committee for Development of an Orientation Program, 1968
Coordinated and taught staff workshops on library automation, 1970-71

ALA/Information Science and Automation Division:
Instructor and/coordinator of various institutes, 1968-73

ALA/Reference Services Division:
Instructor, preconference institute on machine-readable data bases, 1971

Presentation of papers at professional meetings, 1975-

CONSULTING AND ADVISING:

Tufts University Board of Overseers to the University Libraries, 1988-
Bibliotekstjanst AB, Lund, Sweden, consultant and speaker, 1988
Harvard University Board of Overseers' Committee to Visit the University Library, 1987-
Princeton University Library Advisory Council, 1987-
Middle States accrediting team, site visit member, 1985, 1987
University Microfilms, Inc., member, information council, 1985-
Ziff-Davis Corp., product consultant, 1985
AMICOS Bibliographic Council, consultant on long-range planning, 1984
Library of Congress Optical Disk Pilot Project Advisory Committee, 1983-

Duke University, member of external library review team, 1983
Ziff-Davis Corp., consultant on online catalogs, 1982
Earlham College Library, consultant on use of new technologies, 1981
University of Maryland Libraries, consultant on Request For Proposal, 1980
Maryland State Library Resource Center Advisory Committee, 1979-
California Library Services Board, data base consultant, 1978-79
Information Access Corp., editorial and content assistance on energy information report, 1978
California Library Authority, editorial work, 1977-78
Informatics, Inc., to assess the NASA Library Network, 1977
Informatics Design, Inc., to monitor keyboarding, 1972
Inforonics, Inc., survey of automated library systems, 1972

CURRENT RESEARCH INTERESTS

Sociology of Librarianship
Behavior of Library Networks
The Library of the Future
Optical Information Technologies
Scholarly Communication

HONORS:

Simmons College Distinguished Alumni Award, 1977
Council on Library Resources Fellowship, 1973
Phi Beta Kappa, 1963

BIOGRAPHY LISTED IN:

Who's Who in America, 1981-
Who's Who in the East, 1981-
Who's Who of American Women, 1975-
Biographical Directory of Librarians

INTRODUCTION OF ASSOCIATES

Mr. NEWMAN. Mr. Chairman, it is a pleasure to be with you on this beautiful morning in Washington. On my right is Dr. Sue Martin, our Executive Director, who has been with us since last August. On my left is Dr. Lee Edwards, who is a former Senate staffer himself and a man I have great respect for and I am very pleased to have him as our Vice Chairman, and on our far left is Ms. Mary Alice Hedge Keszetar who is the Associate Director of our Commission and who has served on the Commission since prior to its inception.

BUDGET REQUEST

I am very pleased to request a modest budget. However, I must say that the Commission on Infant Mortality really got to me. I did not realize there was anyone who had a smaller budget than we did. We are requesting $770,000, which is an increase of $29,000 over our fiscal year 1989 budget last year.

NCLIS STAFF'S HIGH PRODUCTIVITY

Our agency has nine full-time employees and one part-time employee. In my service on the Commission, I am now in my second 5-year term which started in July 1987, I continue to be very impressed with the impact that such a tiny agency can make on the library and information science community in this Nation.

FISCAL YEAR 1990 PROGRAM AREAS

For fiscal year 1990, we have divided our programs into four areas, one being literacy. We have started a recognition awards program. Last year, the first award winner was the Pizza Hut Corp. This year it will be the Reader's Digest Foundation. These are private sector corporations who are lending their support to promoting literacy in the United States.

We are holding a symposium on information literacy and education for the 21st century in April in Leesburg, VA, and we have invited 100 different people representing over 30 organizations who are going to participate in this conference. With ACTION, the domestic volunteer agency, we have initiated a pilot demonstration project where RSVP volunteers are assisting professional librarians in providing after-school services to children. We have demonstration sites in 18 libraries in 12 States and I am pleased to inform you that one of the sites is in Cedar Rapids, IA.

FEDERAL STATE COOPERATIVE SYSTEM

With the National Center for Education Statistics we have launched a program for an annual uniform collection of public library statistics from the States and 40 States, to this date, have determined that they are going to participate in this Federal-State cooperative program.

ASSISTANCE TO LOCAL DECISIONMAKERS

In the area of democracy, we have an information for governance program and, again, with outside funds we hope to produce a 30-minute video this year so that decisionmakers in small communities around the Nation can learn how to take advantage of their library system's basic information and research services which can provide information upon which the governing bodies can rely when making decisions.

INFORMATION POLICY PROGRAM

In April, we are convening a task force on the impact of technology on society. Our Information Age Steering Committee is convening various experts to review technology, the advantages and disadvantages of its impact, and then we plan to convene a blue ribbon panel of experts to make recommendations to our Commission.

FUND UNESCO CONTINUING PROGRAMS

In the area of policy planning and advice to the Federal Government, we have been serving as the conduit for the State Depart-

ment in funding ongoing programs in the area of library and information services since the United States withdrew from UNESCO.

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES II

We are also planning the White House conference which was authorized by an act of Congress, Public Law 100-382, last year and I am very proud to say to the chairman that we were glad to see you are a cosponsor of that legislation.

However, funds have not been appropriated as of yet and we are hamstrung to an extent on meeting the authorization's mandate to have a White House conference by September 1991. We are going ahead, using private resources to convene a meeting of the 30-member White House Conference Advisory Committee on April 12 to discuss how we can organize for this conference.

COMMISSION'S IMPACT ON NATION

I must tell you that I am very impressed with the work of our 15 Commissioners who come from all over the Nation, and the staff of this Commission. They work hard. They produce a lot and I know it has a positive impact on our Nation in the area of libraries and information science.

Thank you very much for giving me this opportunity, Mr. Chairman.

WHITE HOUSE CONFERENCE II FUNDING

Senator HARKIN. Thank you very much, Mr. Newman, for your testimony. Now this conference, this White House conference, I understand there is no request to fund the conference. Is that right? Or no request out of the administration to fund the conference?

Mr. NEWMAN. That is correct.

Senator HARKIN. But is that in your request?

Mr. NEWMAN. No; that is a $6 million request and that is way beyond our means and frankly we are working trying. It is authorized by Public Law 100-382.

Senator HARKIN. Do you want the money for the conference?

Mr. NEWMAN. Yes; and we are trying to influence the executive to request it. Let us just say we are working on it.

Senator HARKIN. Well, I look forward to working with you on it because there was strong bipartisan support for that.

Mr. NEWMAN. Yes; very strong bipartisan support.

Senator HARKIN. I do not know if it requires $6 million. I am not here to tell you it requires that much. However——

Mr. NEWMAN. Well, I could go into that. I know your time is limited. We had the first conference in 1979, which was extremely successful in its impact on every community in the Nation, and accomplished development of a blueprint for the 1980's, and $3.5 million was appropriated. The CBO reported that is now the equivalent of $6 million.

FUNDS TO THE STATES

The $6 million would be divided—one-third would be apportioned to the States to have State conferences and two-thirds to produce

and run the White House conference here in Washington and give staff and materials support to the State conferences. The cost would come to 2¼ cents per capita of our population in the United States.

Senator HARKIN. That is how the legislation set it up?

Mr. NEWMAN. The legislation calls for moneys to be apportioned to the States by the National Commission. It is our intention to divide the funds between the States and the White House conference itself. Mary Alice can fill you in on that.

Ms. RESZETAR. Approximately one-third of the funds will support the preconferences in the States and territories by direct grants with the balance going toward support for the nucleus staff and the White House conference.

STATE PLANNING FOR WHITE HOUSE PRECONFERENCES HAS BEGUN

Mr. NEWMAN. Some States have already adopted plans to hold State conferences based on the legislation you authorized in the last session of the Senate.

LIBRARY AND INFORMATION SERVICES TO THE HANDICAPPED

Senator HARKIN. One issue you are going to be faced with and you had better start considering it, is expanding your efforts for the learning disabled, the handicapped, Braille, different things like that.

Unless I miss my bet the Congress is going to pass the Emergency Disability Act this year. The President has announced his support for it. It has good bipartisan support here and I think it will go through. That is going to put pressure on you to make sure the library services are accessible to the handicapped and that does not mean just so they can get in the doors, but the materials.

Again, I just want you to know that I wear another hat as chairman of the Handicapped Subcommittee and I would like to work with you and your Commission on that. It is not something we are going to be able to do overnight, I know that, but we have got to start getting the process going to make library materials accessible.

Mr. NEWMAN. We would look forward to working with you, Mr. Chairman. I might also say that one of the Senate appointees to the White House Advisory Committee is a blind attorney who works with Friends of Handicapped Readers, so we are certainly going to have input of substance in that area in the White House conference.

CENSORSHIP CONCERNS

Senator HARKIN. Very good. I have some other questions. In the interest of time—well, let me ask you this one. This is really a good one. Because of the recent uproar in Iran over the publication of the "Satanic Verses"——

Mr. NEWMAN. I like that one. Go ahead.

Senator HARKIN. Much has been written and said recently on the issue of censorship. How are libraries dealing with this issue? Have any libraries pulled the book from their shelves? Have any libraries been intimidated or anything like this?

Mr. NEWMAN. Mr. Chairman, I was in Washington, I guess it was just 2 weeks ago, and I asked the Commission staff to do some work in this area. Sue Martin, our executive director will report.

Dr. MARTIN. The lead role—and that seems important, to focus the activities of the library profession in one agency—is being taken by the American Library Association. We are working with them, keeping in touch with them. We are offering them our support and they are making sure that we know what is going on.

I understand from the American Library Association that there have been some threats to libraries. We are not aware of any libraries having pulled the book from their shelves. More, I have heard about libraries not being able to get copies of the book because it is out of print. But ALA is dealing with the question of the threats and we have volunteered to be backup support for them.

BOOKMOBILES

Senator HARKIN. The other thing that I wanted to bring up quickly, several years ago when I was in the other body, I remember we had a program of summer book service. It was mobile libraries.

We had, I remember a specific area that I knew of, we had a mobile office that went around and you could check out books in the neighborhood and you did not have to go to the libraries. I think it was just summer. Was it just summer, or was it all year? I just remember it being in the summer time, as a matter of fact.

Mr. NEWMAN. It depends upon the community. In other words, there are communities—for example, my home community—that is a year-round program.

Senator HARKIN. Maybe it was. Maybe I am a little mistaken in that, but I thought it was great. It was well utilized. It was a great service and they had to cut it out because of lack of funding, and I thought about that for a long time and it has sort of always been in the back of my mind that if I ever got to this position I am in that maybe I would take another look at that and find out what you are doing in that area and find out what kind of resources are available for that.

Mr. NEWMAN. This is usually a local responsibility which is locally funded. However, we did find, for example, we did some investigations on the indian reservations in January and we found, for example, that the Navaho Nation has had to cut back on bookmobile services. They told us at our meeting in January that because of lack of funds they too were cutting back and I do not know of any Federal funding to support these services at this point.

Senator HARKIN. Would you for the record find out if you have had any funding in the past for that kind of service, if it has been cut out in the last several years—that kind of thing? Just give me that information.

Mr. NEWMAN. We would be happy to do that.

[The information follows:]

Up until now, it is our understanding that no one has collected this information routinely. With the FSCS, we should have the information on bookmobiles within the next year or two, as States come into the cooperative effort.

RURAL LIBRARIES

Senator HARKIN. I want to look at it—and again, I do not mean to beat this dead horse of rural areas, but in a lot of small communities we do not have library access. We do not have Walden Bookstores and things like that and a mobile library servicing small communities is something that I think would really be very good.

Mr. NEWMAN. Senator let me say this. We were promoters of a program for the Mountain States for the rural libraries that was a multimillion dollar program that was funded by the Kellogg Foundation. That program is at least a 3-to-5 year program that is ongoing right now. We have been monitoring the results of the Kellogg Foundation's project and we will see if the results may very well play some part in the mobile library concept.

Senator HARKIN. Well, get me some more information on that and maybe this year has gone by too much, but maybe next year I can get ahead of the curve on it. Thank you all very much.

Mr. NEWMAN. Thank you very much.

DR. BESSIE B. MOORE RECOGNITION AWARD

Mr. EDWARDS. Mr. Chairman, if I could just say with regard to Bessie Moore, Dr. Moore—and I share your admiration for her. She is a national treasure for us in this field. I am happy to say that she continues to attend our meetings as vice chairman emeritas. We do call on her wisdom, her knowledge and on April 12 at the Library of Congress we are going to give her a lifetime distinguished service award.

We hope, Mr. Chairman, that you and other Members will be able to attend and we will see to it that you get invitations to that. That is April 12 at the Library of Congress at 5:30 p.m. We certainly hope you can come to honor this great woman.

Senator HARKIN. Would you make sure that we get that information? I do not know what day of the week that is right now.

Mr. EDWARDS. That is a Wednesday.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. That is great, because even though this is the first time I have chaired, but for the last 4 years I have been on this subcommittee she has always been great and thank you for saying that. I appreciate that.

There will be some additional questions which we will submit to you for your response.

Mr. NEWMAN. Thank you, sir.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Fulfilling Responsibility To Advise the President

MR. HARKIN: Mr. Newman, last year you told this Committee that even though the Commission is statutorily charged with advising the President on library matters, you were not involved at all in the President's budget request and legislative proposals for the federal library programs in the Education Department. This year, the Bush Administration is also expected to issue new legislative proposals for the library programs. The Administration is also requesting a funding freeze for the library programs.

Mr. Newman, my understanding is that these new legislative proposals are currently being negotiated between the Education Department and OMB. What role has the Commission had in the development of these proposals?

Can you tell us the general thrust of the proposals?

What role, if any, did you have in the development of the funding request?

MR. NEWMAN: As you know, the Department of Education is proposing to replace both LSCA and HEA Title II with new legislation, the "Library Improvement Act of 1989," which originally was to be authorized at $75 million and now is to be authorized at $137.2 million, a level equivalent to current appropriations for libraries under LSCA and HEA II.

The Commission is pleased that the Administration is providing funds for libraries in its budget request after several years of zero funding requests. However, our position, as stated in comments to OMB, is that there has been insufficient objective, full-scale evaluation of LSCA/HEA II to date to warrant their replacement with significantly different legislation.

No Administration Support for White House Libraries Conference

MR. HARKIN: Mr. Newman, I was pleased to cosponsor the bill passed last year calling for a White House Conference on Libraries. I understand that your Commission would serve as the central facilitator of the Conference. Can you tell me why, since the Administration supported the bill they have not come forward and requested the necessary funding for the Conference?

MR. NEWMAN: We have had no indication from the Administration that they will oppose funding of this Conference. The states need the Federal funds as soon as possible to develop their state plans and efforts. Federal funds appropriated through the FY1990 budget process may delay implementation in

many states because the funds would probably not be allocated until late in calendar 1989. Therefore, a Spring 1989 supplemental appropriation could allow the states to have earlier access to their seed money.

MR. HARKIN: Has the Commission been doing any preliminary planning for the Conference or are you waiting for funds to be appropriated?

MR. NEWMAN: The Commission has organized the first meeting of the 30-member White HOuse Conference Advisory Committee which will be held April 12, 1989 in Washington, D.C. However, private sector funds have been contributed to assist members of the Advisory Committee who do not have independent fiscal backing, in order for them to attend and participate in this landmark meeting. The Librarian of Congress is hosting the meeting at the Library of Congress.

MR. HARKIN: What specific issues would you expect to be addressed at the Conference?

MR. NEWMAN: A myriad of specific issues could be addressed in the second White House Conference as there were in the first. There were 3000 specific resolutions which came out of the state and territorial pre-conferences which ultimately were boiled down and resulted in 64 resolutions at the national conference. By the way, at the 5-year point after the first White House Conference, progress had been made toward implementing 55 of the 64 resolutions.

The White House Conference Preliminary Design Group, chaired by William G. Asp, State Librarian of Minnesota, issued its report to NCLIS in December, 1985. The Preliminary Design Group was made up of local, state and federal representatives. Their unanimous report proposed that the overarching White House Conference theme be:

Library and Information Services for Productivity,
Library and Information Services for Literacy and
Library and Information Services for Democracy.

These themes are designed to address the very broad needs of the citizen in our society: the need to be educated, the need to work and be productive, and the need to be aware of the governance process.

As subsets of these three areas, there may be hundreds of specific topics with the focus being library and information services needs and the means informational professionals have to apply in order to provide these services.

There will be many information policy recommendations coming out of these themes and there will be a subset of issues which will cut across all three themes, for example: international concerns, services to handicapped, the inability of many people

to read functionally, the conflicts of the rights-of-privacy and expectations of disclosure, intellectual property issues, promoting the ability of the disabled to meet their potential through access to library and information services, equal opportunity of access to information regardless of ability to pay.

Then there will be the functional issues which are the issues revolving around the means that library and information professionals will have to have to meet the needs of their constituents. Some of these issues are: networking, preservation, lack of standardization, funding, fee structures, etc.

Libraries and the Disabled

MR. HARKIN: Mr. Newman, during last year's hearing, Dr. Moore told the Committee that the Commission plans to expand its work with the learning disabled and the handicapped. Please tell us what you are doing in this area?

MR. NEWMAN: Within the program area "Meeting the Changing Library and Information Needs of Special Populations," which includes the elderly, disadvantaged, cultural minorities, and the handicapped and disabled, it was our intent to concentrate on the handicapped and disabled during fiscal year 1988. It was not possible to do this as the funding available to the Commission was insufficient to support an appropriate staff position.

MR. HARKIN: What do we know about the availability of braille material for the blind in the nation's libraries?

MR. NEWMAN: Quite a bit is known about the availability of braille material in the nation's libraries in that this service is handled through the National Library Service for the Blind and Physically Handicapped (Library of Congress) and its network of regional libraries. The NLS has had formal surveys conducted by professional firms to ascertain current use and a special study commissioned upon which to base projections of program growth. There is a low rate of the use of braille materials in that most people who are blind become so in adulthood, particularly in advanced age; and tactile sensitivity tends to diminish with progressing age. There is increasing use of "talking books," both compact disc and cassette, by those with impaired vision. These materials, and the hardware needed to use them, are loaned freely by local public libraries through arrangements with their regional and subregional National Library Service libraries. Though recent technological advances have lowered the cost on Kurzweil Reading Machines, a device which scans print material and produces synthetic speech-output, the price hovers around $20,000 per machine.

The official selection policy of NLS states, "NLS users should have access to the same books and information made

available to the nonhandicapped. The general reading needs of the aged, the young, the professionals, and others should be reflected proportionally in the collection in relation to the overall readership served." Selection priorities vary from year to year based on recommendations from an advisory committee and users. According to one of the surveys made for NLS, "the four categories of reading materials which appeal to the broadest segments for the readership are general interest magazines; current events, news, popular culture; pleasant novels, family stories, and light romances; and best-sellers." Regional libraries utilize volunteers for local audio recording of books, magazines, newspapers, and other braille materials requested by patrons. These materials increase the depth of the collection beyond that which the NLS provides.

MR. HARKIN: While we are told that 96 percent of the U.S. population has access to libraries, what do we know about the percentage of disabled citizens that can use libraries that are wheelchair accessible?

MR. NEWMAN: The latest report from the American Library Association states that in the United States there are 15,215 main and branch public libraries, 92,539 school libraries, 3,398 academic libraries, and 10,263 special libraries. This is a total of over 115,000 libraries. We do not know the percentage of disabled citizens who must use wheelchairs who have access to these libraries.

Information Needs of Parents Concerning Drugs, Pregnancy, AIDS

MR. HARKIN: Mr. Newman, this subcommittee deals with a great many issues related to the education and health of children. One of the things we hear time and time again is that our efforts at educating our children on the danger of drugs, or teen pregnancy, or AIDS are greatly enhanced if we can gain the involvement of parents. But we also hear parents complain that they don't have access to the information they need to comfortably address these issues with their children.

Has the Commission addressed these issues regarding the access of parents to necessary information in these areas? What more do you think you can do in these areas?

MR. NEWMAN: Specifically, no; however, our total thrust is access for people of all ages to library and information services to meet stated and unstated needs. We serve at times as a catalyst to speed up actions, for example our very successful National Library Card Campaign to see that every child has a library card and uses it. This campaign will enter its third year and the focus will be on the older child. If we encourage children and youth into using the library, it is envisioned that the child will show the parent the way if that parent is a non-user of the library. Children are great

ambassadors and are sure to carry the word back home concerning all the wonderful books and information to be found at the library.

MR. HARKIN: What more do you think you can do in these areas?

MR. NEWMAN: The constraints of limited staff and funds will probably restrict us to promoting and encouraging rather than direct action-oriented activities.

Library Needs of the Elderly

MR. HARKIN: Mr. Newman, your authorizing statute requires that the Commission have at least one Commissioner that is knowledgeable on the library and information needs of the elderly. Dr. Moore served in that capacity until her term recently expired.

Who now serves that role on the Commission and what is their background and expertise on elderly issues?

MR. NEWMAN: Commissioner Dan Casey, who has served many years on the Commission and who has received many honors from the library community in the Nation.

MR. HARKIN: What are some of the Commission's new initiatives regarding services for the elderly?

MR. NEWMAN: There is to be a White House Conference on Aging in 1991. The pre-planning is in progress. It is imperative that our Commission be very visible and vocal early on in the preplanning stage since libraries were very much overlooked in the last WHC on Aging.

The National Commission on Libraries and Information Science (NCLIS) has been interested since 1982 in establishing a Task Force on Library and Information Services to Senior Citizens. We feel the information and recommendations gathered by an NCLIS Task Force will carry the credibility needed to propel activity in the area of providing library and information services to the aging. Task Forces cost money, and this is not currently projected in our budget request.

Needs of Rural Libraries

MR. HARKIN: As you know, Mr. Newman, our rural libraries are facing many challenges. Not all of them are financial. They relate to their ability to be in the loop with state-of-the-art resources, the shortage of librarians, and the difficulties with sharing resources from long distances.

What work has the Commission done in these areas and what are you planning to do in the next year?

MR. NEWMAN: NCLIS, since its inception, has been involved with rural libraries. More recently, during the 1980s, we established a National Advisory Board on Rural Information Needs Planning Committee. The Committee's report and recommendations were accepted by the Commissioners in 1985, and forwarded to the Department of Agriculture.

Also during the 1980s, NCLIS became involved with the Intermountain Community Learning and Information Services (ICLIS) program. NCLIS supported ICLIS' filing of a grant application to the Kellogg Foundation to help develop a model for lifelong education opportunities. The model served residents of rural communities in four western states. ICLIS received $4.1 million from Kellogg for the Project.

Modern communications technology is being used by many rural communities to expand resource sharing over long distances. In Montana, a round-robin interlibrary loan program using personal computers in rural libraries was established in the early 1980s. Public libraries in rural and geographically isolated communities in Massachusetts use microcomputer systems and communications software to regularly access regional bibliographic databases and to request interlibrary loans electronically. In several instances, interlibrary loan requests increased several hundred percent during the first year of the project because rural libraries were able to locate materials requested by patrons, and place a request for its delivery simultaneously. Many state library agencies have provided assistance to rural libraries to increase their productivity and effectiveness through utilization of microcomputer and related technologies.

In April 1989, NCLIS will co-sponsor a national symposium aimed at increasing awareness of the needs and capabilities of school libraries in order for these libraries to become more effectively involved as a major component of the effort to improve the educational preparedness of our nation's youth. This symposium will have an impact on all school libraries, rural and urban, by highlighting to school administrators, other government officials, and the public, the value of improving support for the school library in fulfilling its responsibility as a resource partner in every school's curriculum development and support.

The White House Conference will focus on user and library needs, among other issues and concerns, from the local, state, and federal levels. This most important endeavor will provide a highly visible and effective forum for rural libraries to identify problems and seek/recommend viable solutions.

Libraries and "The Satanic Verses"

MR. HARKIN: Mr. Newman, because of the recent uproar in Iran over the publication of "The Satanic Verses," much has been written and said recently on the issue of censorship.

What can you tell us about how libraries have dealt with this issue?

MR. NEWMAN: As far as we know from the information gathered to date, libraries have (1) kept Satanic Verses on their shelves, or (2) ordered the book if it was not already in the library or on order. Some librarians have been threatened; these threats have been reported to the Intellectual Freedom Office of the American Library Association, which is acting as a clearinghouse and support unit for libraries on this issue.

MR. HARKIN: Have any libraries pulled the book from their shelves?

MR. NEWMAN: We are not aware that any library has pulled the book from its shelves, although in areas of high concentration of Muslim population, librarians may have considered this action. Rather, the reaction has primarily gone in the opposite direction: more libraries have ordered the book.

MR. HARKIN: Has the Commission done anything to address issues of censorship?

MR. NEWMAN: About three years ago, this appropriations subcommittee provided specific additional funding for the Commission to study censorship in Public and Public School Libraries. The report issued indicated there was no noticeable increase in censorship in public and public school libraries in recent years.

(NCLIS) has adopted a resolution reaffirming its commitment to open access to information for all, the right of privacy for library users, and support for First Amendment rights. The resolution was adopted in Denver, Colorado on June 15 at the Commission's quarterly meeting to restate and emphasize a longstanding position held by NCLIS:

> Whereas the fundamental dedication of the National Commission Libraries and Information Science to open access and the right of privacy has never been stronger, now,
> Therefore be it resolved that NCLIS reaffirms:
>
> o Its uncompromising commitment to the basic principle of open access to information for all,
>
> o Its equally strong commitment to the right of privacy for all users of our nation's libraries, and

o Its unequivocal support of First Amendment rights.

Adequacy of Library Services in the U.S.

MR. HARKIN: Mr. Newman, we are told by the Education Department that some 96 percent of the American people have access to libraries. But there remains questions regarding how many people are actually utilizing libraries.

Would you clarify this for us?

MR. NEWMAN: It may be true that 96 percent of the American people have access to libraries. However, it is also true that this "access" may be limited and the quality of library services available varies greatly from coast to coast.

It appears that "access" in this case was measured by the U.S. Department of Education by a count of how many people have access to a public library within their geopolitical boundaries. There is little if any discussion of the frequency or adequacy of the services provided. For example, people would be counted as having access to a library in their geopolitical jurisdiction even if the library is only open two hours per week. In another instance, a person would be counted as having access to library services even if it is only a half-hour bookmobile visit to the geopolitical jurisdiction once every two weeks. In neither case is the adequacy of the library service considered, only that the person has "access" to library services within their geopolitical jurisdictions.

Further, there are differences between "access" and "utilization." In most communities with public libraries, usually only half of those counted as having access actually utilize the library's services more than once a year. This may occur for a number of reasons - people do not see the library as having materials that meet their needs, the library is not open at the times they are available to use the library, or they feel that they are getting what they need from other media such as television, radio and newspapers.

MR. HARKIN: What do we know about the adequacy of the services people are receiving?

MR. NEWMAN: We know very little about the adequacy of library services. Most of the measures used to evaluate libraries have to do with output measures - number of books circulated, number of books purchased, number of reference questions answered (ratio of correct to incorrect responses are usually not tracked), and other measures.

Further, there is currently little consistency in the data collected throughout the country. Libraries tend to collect evaluative measures in many different ways. Therefore, we have

little data on adequacy of services because there is disagreement on the definitions or methodologies to use by which to measure adequacy. NCLIS and the National Center for Education Statistics are cooperating on a major endeavor to standardize the collection and reporting of most commonly-occurring library statistics through the establishment of the Federal-State Cooperative System for Public Library Data (FSCS). Armed with this data over a period of several years, it may be possible to measure the adequacy of these services.

MR. HARKIN: Are there any nationwide standards on what constitutes an adequate level of library services?

MR. NEWMAN: Many states have established state standards which in part address adequacy of library services - number of hours a library is open and days of the week, training of staff, minimum levels of material purchases, and others. However, there are no nationwide standards currently in place, although the discussion concerning the development and utilization of such standards has been ongoing for over a century and the newly created FSCS has begun work toward resolving these issues.

Alternative Funding from State Dept., Education Dept., USIA

MR. HARKIN: Mr. Newman, this past year the Commission's budget was actually 36 percent greater than the amount provided by this subcommittee as a result of contract work the Commission has been doing for the Education Department, the State Department and the USIA.

What work have you been performing for these agencies?

MR. NEWMAN: It should be made clear that the funds received from other agencies are not alternatives to NCLIS' appropriation, but rather allow NCLIS to agree to engage in activities which it otherwise would not have the resources to support. In this sense, it is added funding, as opposed to alternative funding.

State Department: When the United States ceased to be a member of UNESCO, several important ongoing information-related activities in the U.S. would have ceased operation because they were funded in large part by U.S. funds going to UNESCO. To prevent these operations from shutting down, the State Department had decided to provide interim funding until the U.S. decides to rejoin UNESCO. Because NCLIS has the expertise required to assess the information-related operations (they include an information clearinghouse, support for development of information technology standards, and book preservation activities), the State Department has asked NCLIS to administer the grants with State Department funds.

Education Department: The National Center for Education Statistics' mandate was revised last year to incorporate specifically the collection of public and school library statistics, under the Hawkins-Stafford bill. As a part of this bill, the chairman of NCLIS is also ex officio a member of the NCES Advisory Council. NCES has asked NCLIS to assist them in developing a procedure to systematically collect statistical data annually from the public libraries of the U.S., providing information that has never before been systematically assembled.

NCLIS has signed a Memorandum of Understanding with NCES; NCLIS' responsibilities are to ensure that the state library data coordinators are trained, that the states have the tools to collect and report public library statistics, that the state library agencies are kept informed of progress and of required action on their part, and that NCES has the information it needs to publish the annual statistics.

USIA: We are not aware of funds provided by the USIA, except in previous years, to travel to foreign countries to represent the United States in library and information-related meetings, when NCLIS did not have the funds to support such representation. No such funds are in the FY1989 budget, nor are any proposed for FY1990.

MR. HARKIN: Why do your budget documents indicate that this outside work will cease completely by 1990?

MR. NEWMAN: The budget documents do not incorporate these outside activities for FY1990 because, since they are based upon fiscal year memoranda of understanding, it is entirely up to the other agencies and their FY1990 budgets whether such funds will be appropriated, and if appropriated, whether they will decide to re-establish the arrangement with NCLIS. No permanent staff or space are being supported with these funds.

MR. HARKIN: The Commission has also received outside contributions from corporate donors such as the Reader's Digest and Pizza Hut.

What level of corporate support are you aiming for this year and in 1990? Does the Commission perform specific functions associated with these outside grants?

MR. NEWMAN: Outside contributions and grants are made to help NCLIS support specific programs. This year (FY1989) we have received $25,000 in outside funding; the full amount is to support the Information Literacy Symposium to be held in the middle of April. We hope to receive an additional $50,000 in FY1989 to support the production of a videotape as part of our Governance for Democracy program.

In FY1990 we hope to receive at least $100,000 in outside support. The Commission performs specific functions with these outside grants, and the arrangement is usually worked out between the Commission and the donor. Because of the difficulty in projecting the actual level of outside funding, and the interests of potential donors, no assumptions have been made in the FY1990 budget documents regarding the availability of such funding.

U.S. INSTITUTE OF PEACE

STATEMENT OF AMBASSADOR SAMUEL W. LEWIS, PRESIDENT

ACCOMPANIED BY CHARLES E. NELSON, VICE PRESIDENT

PREPARED STATEMENT

Senator HARKIN. Next, we have the U.S. Institute of Peace. Our next witness will be Ambassador Samuel W. Lewis, the President of the U.S. Institute of Peace. I am privileged not only to sit as chairman of this committee but also to sit on the authorizing committee with the responsibility for the Peace Institute.

I am pleased to say, at the end of the last Congress the Institute of Peace Act was reauthorized for an additional 5 years. Moreover, the fact that the administration requested funding for the Institute in 1990 is a very good sign. While the President's request for a freeze may seem inadequate, it indicates that the debate over whether the Institute should exist at all is now safely behind us.

I wish to personally on the record thank Ambassador Lewis for all that he has done to make this a reality, to move this forward, and as I said to put the debate behind us as to whether or not it should exist.

I also want to thank him personally for taking the time to come to my State to talk to my constituents about the Institute's work. I continue to hear good things about the trip. Ambassador Lewis, again, thank you for your leadership and your full statement will be in the record and if you could, please summarize your statement.

[The statement follows:]

STATEMENT OF SAMUEL W. LEWIS

Mr. Chairman and Members of the Committee, I want to thank you and the Committee for your firm support of the United States Institute of Peace in previous years and for this opportunity to review with you our budget request for fiscal year 1990 of $9,450,000. This amount represents an increase of $2,534,000 over the amount provided for fiscal year 1989.* For fiscal year 1990, appropriations for the Institute have been authorized at the level of $10,000,000.**

On a personal note, after a year-and-a-half on the job, I would like to share with this Committee my conclusion that Congress' decision to create the Institute was not only wise but timely. Although I do not believe that peace has "broken out" around the world, the peacemaker's vocation is more promising today than it has been for many years, and the Institute's contribution to the understanding of this process has begun well and is growing. Based on my foreign service experience, I have found it useful to frame the Institute's mission in simple, practical terms. In a world where many violent international conflicts continue, the Institute aims to enlarge the peacemaking capacity of the United States and others who are also committed to the pursuit of a more peaceful world.

There are three key points to my presentation today related to this aim: first, Congress has given the Institute a very large and complex mandate; second, the Institute has made a strong start and has increased its momentum during the past year; and third, the Institute needs the funds requested to continue this momentum so that it can carry out a larger portion of that mandate.

PURPOSES AND PRIMARY AUDIENCES

This mandate is expressed in the United States Institute of Peace Act, which charges the Institute to develop the "widest possible range of education and training, basic and applied research opportunities, and peace information services" on the means to promote international peace and conflict resolution without recourse to violence. Institute programs address this goal in three principal ways:

•by expanding basic and applied knowledge about the origins, nature, and processes of peace and war through sponsoring serious research by scholars who represent the widest spectrum of approaches on these questions, and eliciting the personal reflections of practitioners of statecraft and international negotiations;

•by disseminating this knowledge and practical lessons from it, whether developed by the Institute or others, to officials, policymakers, diplomats, and other practitioners here and abroad who are directly engaged in the effort to resolve international conflicts without force; and

•by supporting education and information programs for the general public about the complex nature of the peacemaking task.

For these purposes, the Institute focuses on several primary audiences: (1) the academic and diplomatic worlds for the first category of expanding knowledge; (2) diplomats, policymakers, and other practitioners for the second purpose of better equipping individuals to carry out their work on particular international disputes; and (3) the general public — as divided, for example, into high school students and teachers, university students and professors, and adult and community leaders — for the third purpose of public education.

Each audience has its own special needs and language: e.g., academics prefer scholarly presentations; practitioners and policymakers seek case-relevant documentation; high school students ask for basic information and focused definition of problems in international peace; college students need intellectual challenge within diverse theories and styles; and adults want issues to be digestible but sophisticated and contemporary. The Institute seeks to reach all, and particularly to ensure that the work it funds, whether based on scholarship or practical experience, not only appears in the medium comfortable to the author but, as necessary, is also distilled for its practical significance and translated for a wider, more general audience.

Administratively, the Institute has five operating programs (grants, fellowships, research and studies, education and public information, and library) and a management unit. The budget request describes them and gives a budget table for each. Most Institute audiences are reached by more than one program.

•Academics, for instance, compete for grants and fellowships, participate in the research and studies program, and are served by the library program directly and indirectly.

•Diplomats, policymakers and other practitioners gain most directly from such grant projects as case studies of regional conflicts, and they may win grants, fellowships or contracts to allow them to extract useful lessons for others from their own professional experience.

•The general public is reached through a variety of means — the Institute's national high school essay contest (which has state as well as national winners); Institute publications which currently include a newsletter and occasional brief issue papers and this year will include the first Institute monographs and books; grants to train high school teachers and to encourage national membership organizations to include international peace issues in their publications; Institute speakers appearing before citizen organizations; television/video programming; and relationships with specialized and public libraries.

OVERALL PROGRESS TO DATE

At the end of the Institute's first three years of actual operations, we can point to several important achievements: strong program and management organization; project results that validate program designs in five major areas; encouraging and growing professional and public response to Institute programs; and effective Congressional support for the Institute's independence and objectivity as reflected in Congress' five-year reauthorization of appropriations.

Organizationally, the Senate also encouraged stability for the Institute when last year it reconfirmed President Reagan's Board appointees for second terms. In October 1988, the Board elected John Norton Moore to a second three-year term as Chairman, and in January 1989, the Board elected Professor Elspeth Rostow as Vice Chairman. The Board continues to provide very active leadership and is this week holding its thirty-first meeting.

Recognizing that the Institute is in an early, formative phase as we seek to build a more comprehensive program commensurate with Congress' broad mandate, Congress increased the Institute's operating budget substantially in fiscal year 1989 (see table, page 8, FY 1990 Budget Request). That increase is allowing the Institute to:

•sharpen the focus of its grantmaking through greater use of a solicited grants mechanism without diluting the open-door policy of its unsolicited grant activity;

•launch the Jeannette Rankin Library Program, which will dramatically expand information flow about international peacemaking;

•establish new grantmaking components dedicated to library enrichment and networking and to citizen outreach activity through a wide variety of national membership organizations;

•launch a second phase of public media activity, drawing upon prior experience in television and video production; and

•expand the range and production of the in-house research and studies program.

With some research products already in hand, and the foundation well laid for an increasing flow, it is important that the Institute be funded for fiscal year 1990 at a level that both (1) continues a moderate rate of growth in grants, fellowships, and research and studies programs, and (2) capitalizes on that work with significant new investment in outreach and delivery

through the education and public information program and the library program.

In subject matter, a sense of both the diversity and focus of the Institute's programs can be seen from the document which we are furnishing today to the Committee. It groups the Institute's grants, fellowships, and research and studies projects in such substantive categories as East-West relations; Soviet Union affairs; arms control and deterrence; regional conflicts; international law and organizations; pacifism/peace movements; religion/ethics/human rights; domestic regimes and international behavior; practical training/crisis management; negotiations; conflict management; and education/community outreach.

COMMUNITY OUTREACH

Last year, the Committee supported the Institute's attention to community outreach, urged even greater effort in the area, and requested that special attention be given to curriculum development, specifically by establishing "goals toward disseminating school curricula on conflict resolution and issues in the field of peace that will be appropriate and instructive for students at a variety of grade levels."

Although our budget request provides greater detail, I would like to highlight several of our outreach efforts:

•The education and public information program develops grants to community-based organizations, such as the Council for the Advancement of Citizenship, a 70-member umbrella group of organizations dedicated to civic education. The Institute's grant permits the Council to enrich its publications with materials on international peace and conflict resolution.

•The Institute's speakers' program has been especially effective in projecting the Institute into metropolitan areas outside the nation's capitol. Visits have been made to California, Connecticut, Iowa, Illinois, Maryland, Missouri, Massachusetts, New Hampshire, New

York, Oregon, Pennsylvania, and Texas. In San Francisco, Portland, Oregon and four localities in Iowa, the Institute undertook intensive two- and three-day programs designed to increase awareness about the complexities of peacemaking and about our programs; two days of events are planned for Atlanta in May; and later in the year we will visit Austin. In these activities, speakers from the Institute usually have four or more engagements a day, in order to reach as many different audiences as possible, including labor organizations, college and university students and faculty, business groups, and churches, as well as the general public through television, radio and print media coverage. These events are developed in cooperation with such organizations as the League of Women Voters, the National Peace Institute Foundation, World Affairs Councils, Rotary Clubs, the American Association of University Women and many local civic groups, churches, peace organizations, and municipal and state governments.

•The education and information program also includes the Institute's media activities, such as the successful television/video special on U.S.-Soviet summitry. The Institute is presently exploring the development of brief (five to eight minutes) video modules for high school teachers, perhaps to be distributed through cable television channels, which could also be combined into full magazine-type programs for general broadcast. A number of localities are being reached through other media activities, such as our grant to the Close-Up Foundation for workshops and a summer institute for high school teachers on peacemaking, featuring leading practitioners. It is expected to be carried by C-Span cable television and to produce video and print curricular enhancement materials for Close-Up's nationwide high school educational network.

•To reach high school students and teachers, the Institute (1) conducts a "national peace essay contest," now in its second year, and (2) is conducting teacher training for precollegiate studies of international peace and conflict management while also exploring other ways to develop and disseminate curricula in this sensitive

field. As its initial approach, the Institute is making grants at the college and university level to support programs on a case-by-case basis that will both develop curricula and train high school teachers in their use. Our initial goal is to create a network of different colleges and universities which can learn from and reinforce each others' experiences and provide support directly to high schools in their particular regions of the country. To date, the Institute has made such grants to institutions in the Northeast, South and West. Through fiscal year 1990, our goal is to make similar grants in the other regions of the country.

•For college and graduate students and faculty, the Institute has made several grants to universities and colleges to support the development of peace and conflict resolution course materials and curricula.

As Committee Members will note, much of the increase we are requesting will go to the education, public information and library programs. Staff strengthening is also projected for these areas, for they are inherently staff intensive. These are our newest programs and only now can effectively utilize substantial funding. Furthermore, as other Institute programs, especially grants, fellowships, and research and studies projects are now beginning to produce significant results, it is education and public affairs and library programs that must carry those results to the public.

CONCLUSION

Mr. Chairman, I am pleased to present to you the Institute's budget request for fiscal year 1990. Since testifying first before you a year ago, I believe we have demonstrated accelerated progress both institutionally and functionally. In a mere three years of operation, a complicated set of interrelated programs has been established with good financial and qualitative controls; an energetic and devoted staff has been assembled; early public skepticism of the endeavor has been significantly allayed; and the impact foreseen for the Institute is beginning to emerge.

That the times are fiscally difficult is even more reason to invest well and soundly in this important national enterprise, for gains of even modest dimension in enhancing peacemaking capabilities can have major repercussions for the United States as well as the world. America thrives in a more peaceful international environment. For a nation devoted to individual freedom and economic enterprise, more attention to the challenges for peacemakers on every continent promises large dividends. The United States Institute of Peace is committed to strengthening the nation's capabilities, and doing so responsibly and carefully. The budget request we have submitted to you reflects that purpose. I commend it to your attention and would be delighted to respond to any questions you may have.

---

* Congress appropriated $7,000,000 for the Institute for fiscal year 1989. The Institute received $6,916,000, because of the across-the-board cut of 1.2 percent in the appropriated amount required by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1989, Public Law 100-436, section 517, 102 Stat. 1680, 1716.

** In Public Law 100-569, 102 Stat. 2862, Congress provided a five-year authorization of appropriations for the Institute: $10,000,000 for each of the fiscal years 1989, 1990, and 1991, and $15,000,000 for each of the fiscal years 1992 and 1993.

REAUTHORIZATION AND REQUESTED APPROPRIATIONS

Ambassador LEWIS. Thank you very much, Mr. Chairman, for those kind and generous words. I am delighted to be here. I would also like to say, on behalf of Professor John Norton Moore, the chairman of our Board of Directors, and all of our directors, how much we at the Institute appreciate the enormous support that you personally have given to the Institute in its formative period.

I am glad you referred, Senator, to the fact that we got our 5-year reauthorization bill through last session. I think that was indeed a landmark, and I feel as you do that we are now over this early debate about whether the Institute should endure or not.

You will recall that in that authorization bill we were authorized $10 million for fiscal 1990. Our request before you today totals only $9,450,000. It is less than our authorization level because we believe that is truly the optimum level of funding that we can use effectively and responsibly next year.

As you well know, Congress gave the Institute a very wide and complex mandate. We have just completed our first 3 years of operations. This period has been marked by sustained and accelerating progress and we are now starting to gain some altitude. For the first time, we can say now that we are carrying out at least a substantial part of that congressional mandate, but we need the budget we have requested to maintain this momentum.

PROGRAM ACCOMPLISHMENTS

We have five principal areas of operations: grants, research and studies projects, our Jennings Randolph Fellowship Program, public education and information programs, and our new library program.

This document, Senator, which we are submitting today to the committee in addition to our statement, provides a sense of the diversity and the focus in all of those programs and how they complement each other.

It is organized by topic, such as arms control, conflict management, negotiator training, United Nations and international organizations, regional conflicts like those in Africa or Asia or Latin America, education and community outreach, et cetera. There are about 15 different categories of that sort. The document lists all the ways in which our grants and our fellowships and our research and our education programs go together to deal with each of these major topic areas. I think you will find it of great interest.

Mr. Chairman, while the Institute is independent and nonpartisan, we are now fully recognized as an important new component in the Nation's overall national security structure and I think that we are making some significant contributions now in three basic directions.

First, by expanding useful knowledge about the whole range of approaches to achieving peace, a range which extends from peace-through-strength through pacifism. This means we are exploring new techniques for international conflict resolution, and it means we are also studying past successes and failures in peacemaking.

The second direction is providing an information bridge, as I have called it, between Government and academic institutions. Too often, in my experience, Government officials are just too busy and our academic friends are a little too theoretical for effective communication between these very different worlds. The Institute helps to bridge that gap by disseminating academic insights to Government officials who can put the knowledge, lessons from past experience, and insights to practical use.

The third direction in which we are moving very strongly is in educating and informing the public at large about the real nature of peacemaking and the complex challenges that peace poses for our Nation. We are trying and I think increasingly succeeding in accomplishing this through public meetings and workshops, lectures, publications, curriculum development grants, our national high school essay contest, new library programs, and television programs which we are now moving to design for use in public schools as well as for public viewing over public broadcasting systems.

COMMUNITY OUTREACH

These community outreach projects have the highest priority in our plans for this year and for fiscal 1990. In that area I include our increasing cooperation with a number of other, sister institutions in the United States and abroad like the Iowa Peace Institute, which is certainly in the vanguard of the State institutes that have sprung up since 1984.

I visited, as you said, several communities in Iowa some months ago. I was in Portland, OR, just last week at the Oregon Peace Institute. There is a similar organization forming in Arizona and, of course, there is one very well established in Hawaii.

We have a Canadian sister organization with which we have been frequently in touch. There is one in Japan. There are at least 15 around the world now of different sorts and this network of peace institutes is part of our outreach target for the year ahead. We are already making some impact in that area, I believe.

CONCLUSION

I do not want to take a lot of time because I know you are very pressed, Mr. Chairman, to finish in time for the vote. I just want to end on a personal note, if I might. I have now been president of the Peace Institute for about a year and a half. When I came to the Institute, it already had a solid administrative base and significant grants and fellowships programs. But that beginning was only a beginning in tackling the huge national peacemaking agenda that Congress gave us.

Today, I am quite proud to say that I think the Institute is even more firmly established administratively and managerially, and that it is now making some significant contributions to peace education and citizen understanding about these issues. Perhaps even more important, we are developing a practical reservoir of new approaches and insights into the peacemaker's task and we are beginning to get those insights to people that can use them.

I know, Mr. Chairman, that you were one of those who labored long and hard to establish a peace academy. But although we are a peace institute, not an academy, I think that you can be honestly very proud of how far the U.S. Institute of Peace has come in a short period of time toward your very goals, and I am extremely proud to be part of this enterprise. I am delighted to be with you today and anxious to answer any questions I can.

I would like to mention, sir, that I have with me our vice president, Charles Nelson, who has had a distinguished career in Government and private sector activities. He has added enormous strength to our team in the last year that we have been working together.

Senator HARKIN. Well again, we are proud to have you where you are, Ambassador Lewis. Again, as I said you have just done an outstanding job and I cannot think of anyone better equipped to lead this organization than you as one integrally involved in the Camp David accords, which I think was just a masterpiece of diplomacy and peacekeeping.

Certainly, your involvement and your high level of involvement in that and in that area of the world commends itself to this kind of an institute and the kind of work that we need to do with it in the future. You have now served as president of the Institute for more than 1 year. Gosh, I am running out of time. What do you see 10 years from now? What do you see down the road?

A 10-YEAR VISION

Ambassador LEWIS. Well, at the very minimum I see a couple of conflicts in the world that have not broken out in violence or have been solved with less bloodshed because of some of the work that we have done.

I think that is a perfectly reasonable target. If we only stimulate a new insight into how to solve a dispute, or how to negotiate a conclusion to a war, through research we have sponsored, and that only solves one conflict in 10 years and a few thousand people do not die, it seems to me we have paid for ourselves.

I was interested in listening to your previous witness. I like to get ideas from other people and I am going to use one of his ideas when I speak next to public audiences, namely that it seems to me our work and that goal should be worth 4 cents per American citizen. That is what our budget is: Less than 4 cents per American citizen.

More institutionally, I am not sure how to answer you. We are going to be in a better position to answer that 1 month from now. We have decided to hold a policy review retreat for 2 days at the end of April with all of our board and our senior staff, out of town, where nobody gets pulled out to the telephone. The public has been invited if they wish to come.

We are going to spend those 2 days reviewing what we have done right and wrong during our first 3 years, and what the next 5 to 10 years ought to look like. So the next time I come before you I will have the benefit of a broader, longer range plan. We have some such plans for individual programs now. But my vision, the one you were asking for, is the one I have already described.

SCHOOL CURRICULUM DEVELOPMENT

Senator HARKIN. How about school curriculum, model curricula on conflict resolution? I was struck by my daughter's going—next year at school they already have to decide what electives they are taking and I was looking at all the different things, quite a variety compared to what I was used to, and I just thought and I looked at it, I did not see anything dealing with conflict resolution. I do not know of a better time to take that kind of a course than when you are in high school. But I just wondered how widely you hope to disseminate model curricula on conflict resolution.

Ambassador LEWIS. This is a tricky area, Senator. I think you and I have discussed this before. We want very much to get more into the area of precollegiate education, for we are aware that there are lots of programs, some of them good, some bad, but there need to be a lot of better programs in a lot of secondary schools.

With public schools being a local responsibility under our system, for a federally funded Institute to try to prescribe model curricula would get you right into the problem of local versus national control of education. So we are moving very cautiously in this area, for, I think, good reason.

However, we have now made several grants to different academic institutions in different parts of the country. Mississippi State University is an example, where we have made a grant to develop a college-level peace and conflict resolution curriculum. Part of the

grant is being used to hold workshops on those subjects for high school teachers in that State.

We have done something similar with Whittier College in California. We have made a curriculum development grant to Columbia University Teacher's College, focused on curriculum materials that deal with human rights and peace for high school teachers. We have also just recently approved a grant to the Close-Up Foundation which already conducts a secondary school teachers institute. They will be producing new curriculum materials to teach there with the help of our grant.

There are two or three other places around the country where we want to try to make grants for curriculum development for secondary schools. Our hope is to get some regional diversity; try out different curricula in different regions, make them available in those regions and see how they are received by the public school system. But we do not plan to try to develop a national curriculum. We think that would be improper.

I might add that, at the college level, we have made about six grants for college curricula development. We are moving more easily in that area because you do not have the same Federal-local problem to work around.

TV AND VIDEO PRODUCTION

Senator HARKIN. You supported production of a TV program once before. We had a TV program. Do you have any idea about how many people watched it, how many stations carried it, that kind of thing?

Ambassador LEWIS. We know that the program, "Face to Face," which was an hour-long program about the history of United States-Soviet summitry, got very good reviews. It was aired on about 30 percent of all of the public television stations in the country. That is, about 85 public televisions carried it. It was also carried around the world by USIA on Worldnet and on the U.S. Armed Forces television network as well.

Unfortunately, PBS does not poll except very occasionally. The public TV system has no way of telling you how many people watch shows, so we have only very fragmentary indications. We do know that a lot more people watched that program than we have managed to reach through individual lecturers or workshops or conferences, however. I am sure from the data we have that we reached many hundreds of thousands of viewers. That is a drop in the bucket. But it is still a lot of people.

Now, a one-shot TV effort is really not very cost-effective unless you tie it into continuing educational packages. Therefore, we took that TV program, expanded it to 2 hours, made it into a package of four 30-minute video cassette programs and developed a teaching guide to go with it of about 50 pages.

That video package is being sold to libraries, to schools, to universities, to civic groups all around the country as a 2-hour packaged educational miniseries on the United States-Soviet relationship. We believe that is the kind of continuing impact we should seek for any television productions which we support.

But we are also thinking of something different for the future. We are in the process of developing a new television project which would beam short programs directly into schools through cable distribution networks, small bites of 3 to 8 minutes on a variety of subjects for teachers to utilize along with their regular other teaching materials. I am very excited about this prospect.

NEGOTIATION TRAINING

Senator HARKIN. Two other last things. Your budget states the Institute is now engaged in hands-on training for practitioners about negotiation theory. Who are these practitioners? Are they State Department personnel, diplomats, foreign officials? Who are they?

Ambassador LEWIS. Well, we have made several starts on this. One project we have going is at the Salzburg seminar in Austria, where we have made a grant to stimulate the teaching of negotiation theory and practice to groups of diplomats, both foreign and American. The curriculum used and the results will also be published for use elsewhere.

We also are attempting to develop a project with the Foreign Service Institute at the State Department to try to strengthen the very weak program they have now in negotiation training. We are still working with them to try to get that project off the ground.

We have also been supporting an interesting program at the Hebrew University of Jerusalem, through a grant to their Leonard Davis Institute, under which Israeli and European diplomats are studying the techniques of prediplomacy. That is the part of diplomacy that must go on before you get to the formal conference table and the contribution it makes to the diplomatic outcome. I think this is, frankly, one of the least understood and underemphasized aspects of peacemaking.

The work that comes out of that project is going to be a curriculum for teaching that kind of material in universities in the United States, and elsewhere, though it happens the work is going on in Jerusalem.

APPOINTMENT OF WOMEN AND MINORITIES

Senator HARKIN. You know I have had a long and particular interest in this, going back a long, long time and let me just close by asking you again for the record, how many board members do you have?

Ambassador LEWIS. We have 15 board members.

Senator HARKIN. How many are women?

Ambassador LEWIS. One. Professor Elspeth Rostow.

Senator HARKIN. That has got to change.

Ambassador LEWIS. Well, Senator, our board is appointed by the President and confirmed by the Senate. The next vacancies will occur 2 years from now, so I think your address is clear. I agree with you.

Senator HARKIN. If there are any vacancies that do occur——

Ambassador LEWIS. There might be some that occur earlier. Some member might resign.

Senator HARKIN. I want to announce, we are going to be looking at women and if somebody comes down the pike and if they are not this is one Senator that is going to hold them up.

Ambassador LEWIS. Well, I understand, Senator.

Senator HARKIN. How many minorities do you have on the board?

Ambassador LEWIS. There are none on our board. We have several on our staff. I hired the staff. We also have a number among our fellows, who are selected by the board.

Senator HARKIN. But it just seems to me that looking down the road, the areas that we look at that are potential conflict areas are in areas that are in the, not East-West but it will be North-South and it will be southern and it will be Africa and places where we do have minorities in this country. Majorities in other countries, obviously; and I think we would do well to make sure that that board is reflective of that. We have talked about this in private before.

Ambassador LEWIS. I just would like to defend the board on this issue, Senator, because while they did not appoint themselves, and they are not minorities and all of them are men except one, the board has been very sensitive to this issue in their selection of our fellows and our grantees.

For example, we have in our resident fellows group of eight right now two African statesmen and one distinguished black American statesman, so we are not doing badly at all in the area where we have more control over decisions.

Senator HARKIN. That is encouraging. That is very good. I compliment you for that. That is great. Ambassador Lewis, Mr. Nelson, thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Ambassador LEWIS. Thank you, Senator. We certainly appreciate it.

[The following questions were not asked at the hearing, but were submitted to the Institute for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Future Vision for the Peace Institute

Question: Mr. Ambassador, you have now served as President of the Peace Institute for more than a year. I would like to hear about your long-term vision for the future of the Institute. Where do you hope the Institute to be ten years from now?

Answer: At the very minimum, I see a couple of conflicts in the world that have not broken out in violence or have been solved with less bloodshed because of some of the work that we have done. I think that is a perfectly reasonable target. If we only stimulate a new insight into how to solve a dispute, or how to negotiate a conclusion to a war, through research we have sponsored, and that only solves one conflict in 10 years and a few thousand people do not die, it seems to me we have paid for ourselves.

I was interested in listening to your previous witness. I like to get ideas from other people and I am going to use one of his ideas when I speak next to public audiences, namely, that it seems that the Institute's goal and our work should be worth four cents per American citizen. That is what our budget is: Less than four cents per American citizen.

More institutionally, I am not sure how to answer you. We are going to be in a better position to answer that a month from now. We have decided to hold a policy review retreat for two days at the end of April with all of our Board and senior staff, out of town, where nobody gets pulled out to the telephone. The public has been invited if they wish to come.

We are going to spend those two days reviewing what we have done right and wrong during our first three years, and what the next five to ten years ought to look like. So the next time I come before you, I will have the benefit of a broader, longer range plan. We have some such plans for individual programs now. But my vision, the one you are asking for, is the one I have described.

Question: Do you expect the establishment of centers around the country focused on peace and conflict resolution?

Answer: A number of privately supported, academically-based centers are being created by others. Though our legislation would not preclude the Institute's establishing such "regional branch centers," we have no plans at present to do so. For the time being, at least, our Board of Directors believes we should concentrate our efforts on building our programs soundly at the Institute's headquarters in Washington, DC, for reasons of administrative costs and institutional complexities. We anticipate supporting some other private centers selectively through our Grants Program.

Question: Do you see the Institute evolving into a training academy on conflict resolution techniques?

Answer: Not under our present legislative mandate. However, we have the necessary authority to offer some such courses, as well as to provide financial support to other teaching institutions and private programs in this field. It may be

that we will expand our programs in this direction during the next three to five years.

Question: Do you see yourselves doing more work with the State Department and other government agencies in conflict resolution training? Can you see yourselves doing the same thing with foreign governments?

Answer: We are at present actively seeking ways to assist the Department of State to improve its in-service training capabilities. Two of the negotiation training projects which we are currently supporting, at the Salzburg Seminar and at the Leonard Davis Institute of the Hebrew University of Jerusalem, involve foreign diplomats from a number of countries, as well as American diplomatic personnel. We are looking forward to further cooperation of this type with other government agencies, if appropriate projects can be developed.

Committee Directive on Developing School Curricula

Question: Ambassador Lewis, your formal opening statement discusses your efforts in response to this Committee's directive to develop and disseminate appropriate school curricula on conflict resolution. What goals has the Institute set for this project in terms of funding commitment and future plans?

Answer: Being especially sensitive to the fact that secondary school education is a state and local responsibility in this country, including all decisions regarding curricula, the Institute has set as one immediate goal the enrichment of what schools can offer. We are providing funds to support several public regional teacher training programs that include curricula variety and that foster the training of master teachers. These programs provide teachers with the substantive background and pedagogical skills to introduce new courses on conflict resolution as well as to incorporate units on international peacemaking into existing curricula.

A three-year project at Columbia University is training "teacher educators," at both the elementary and secondary levels, in the substance of human rights as a foundation for peace. The program involves the development of curricula and the publication of teacher guides and textbooks. Additionally, in-service training is being offered for teachers in the field, as is graduate training for students enrolled in the College's Peace and Education Program.

Mississippi State University is conducting a two-year curriculum development project which involves the preparation, teaching, and review of two projects focusing on global peace and conflict resolution: "Food and International Peace," and "Peace and War: the Soviet Perception of the World." This project also involves special workshops and seminars for high school teachers.

At Whittier College, a three-phase dual-track program is utilizing computer simulations to educate students at the college and secondary school levels on the complexities of international negotiations. The program is also generating research on negotiations. This project has a major teacher training component. It will be expanded eventually to reach out-of-school learners in the local community.

Question: How widely does the Institute hope to disseminate model curricula on conflict resolution?

Answer: The Institute does not intend to try to create one national model curriculum, but instead will continue to support efforts by individual educators, university teacher training programs, and civic education projects to develop a variety of curricula and teaching materials for national publication and dissemination.

Question: I am confused by your budget submission, while you have told us that you are progressing with the curriculum development project, your budget for Education and Public Information shows no expenditures in 1989 for this purpose. How are you funding these activities currently?

Answer: Curriculum projects are presently being funded as grants at the university level. Funds for that function as well as for civic education outreach are provided for in the solicited grant line item in the Education and Public Information section of the Grants Program Budget (page 14). That allocation increases from $200,000 in fiscal year 1988 to $400,000 in fiscal year 1989 to $700,000 in fiscal year 1990. Further description is provided on pages 40-43.

Question: Your formal statement says that you have already committed grants to train high school teachers on conflict resolution curricula in the Northeast, the South and the West. Mr. Ambassador, don't you like the Midwest?

Answer: I love the Midwest and especially Iowa! We hope very much to be able to develop strong and innovative curriculum and teacher training projects there in the coming months and we would welcome well-designed proposals from that region.

Institute's Role in Promoting Peace

Question: Ambassador Lewis, in your formal statement, you argue for increased funding because "gains of even modest dimension in enhancing peacemaking capabilities can have major repercussions for the United States as well as the world." What "modest gains" would you point to where the Peace Institute has played a role in truly shaping foreign policy, either in the U.S. or abroad?

Answer: While I am intrigued by the standard you suggest for measuring the Institute's success — "a role in truly shaping foreign policy" — we understand our charge from Congress to be one step removed from policy-making. Indeed, we were enjoined to stay away from making policy recommendations to the Executive Branch or to the Congress. Rather, the Institute is directed to increase and disseminate learning of the most inclusive sort on the causes of peace and war, and on the widest variety of methods to constrain violent conflict and achieve peaceful settlements, all at the international level. Congress evidently had the faith, which we certainly share, that better knowledge and understanding about these issues can affect and at times even determine how the nations and peoples of the world interact, with violence or without, supporting freedom and justice or tyranny. In short, the Institute's aim is not to make peace, but rather to support and create better peacemakers. We are at the very beginning of that task, just starting to receive the products of the Institute's first grants. The practical results of Congress' long-range investment will of necessity come well in the future.

Question: Your budget materials state that a central purpose of the Institute is to disseminate knowledge on peacemaking "to officials, policymakers, diplomats, and other practitioners who are directly engaged in the effort to resolve international conflicts." How do you reach these policymakers?

Answer: We reach policymakers primarily through our publications, whether our own or writings that are developed from research we support through grants, fellowships, and our own projects. Increasingly, we hope also to attract key members of the Washington policy community to attend our workshops and seminars to hear firsthand about relevant policy insights from Institute projects.

Examples include our new *In Brief* series, which encapsulates Institute activities and products in a form accessible to busy policymakers; longer monographs which just now are beginning to go to press; newspaper articles by our fellows or by journalists who have followed our work; and books by grantees and fellows. We have a growing database of individual and institutional names and addresses referenced by interest, occupation, and position, which we use in distributing information.

In addition, officials and policy analysts have taken active parts in many of our programs — such as the "intellectual map" study of various approaches to international peace and the Institute's working group which is examining how to strengthen the United Nations system to meet the new challenge of low-intensity conflict.

Question: What, if any, results have you seen in the efforts at conflict resolution in the many "hot spots" around the world?

Answer: One of the characteristics of "conflict resolution" is that much of it takes place quietly and incrementally. Success may be known only to those official negotiators who have prevented violence or hostilities from breaking out, have cooled down a problem, or have rechannelled it constructively. For that reason, some prefer the term conflict "management" to "resolution." Many dramatic, historic peacemaking successes are the result of thousands of hours of work "in the trenches" by innumerable diplomats, United Nations officials, and private citizens. Obvious current examples are the termination of the Iran-Iraq war, the Angola/Namibia accords, and the Soviet withdrawal from Afghanistan. Other "hot spots" where formal and informal conflict resolution processes are now active include the Middle East, Nicaragua, the Spanish Sahara, Chad, Northern Ireland, Kampuchea, the Horn of Africa, South Africa, and, although overt violence is less apparent, the Korean Peninsula and eastern Europe. Peacemaking efforts, if only in preliminary stages, characterize all of these conflicts. I expect that good results will eventually be forthcoming from a number of these efforts, and I am confident that effectiveness will be, in important part, produced by the diligence, patience, sophistication, and good fortune of the peacemakers, some of whom have been influenced and aided by activities sponsored by the United States Institute of Peace.

Impact of the President's Freeze Request

Question: Your budget submission states that if we accept the President's request and freeze the Institute's budget at the level provided in 1989, your education and public information activities will be curtailed. Why is this? Don't you consider these activities to be a priority?

Answer: The President's Budget Submission for Fiscal Year 1990 would limit the Institute's appropriation to $6,916,000, the same amount as provided for fiscal year 1989. In our budget request for fiscal year 1990, we stated that this stationary level would necessitate substantial curtailment of the Institute's programs. Since the Institute's library and education and information programs

are slated to receive about 60 percent of the requested increase in funds for fiscal year 1990, we identified them as two programs that would be affected by such "straight line" funding. However, we also stated that we would undertake a careful review to determine which programs could be reduced and which projects could be eliminated.

Question: If you expect these activities to grow in 1990, why can't they be funded out of other parts of your budget? Since all the activities in the Institute have grown substantially in the last few years, is it time for us to step back and set some priorities within the current funding level?

Answer: In any such review (which the Institute hopes will not be necessary) the Institute would follow certain principles:

- The development and growth of the education and public information and the library programs would continue to be regarded as very high priority concerns. This would probably mean a combination of some trimming back of other programs and a slower rate of development in the newer education/public information and library fields.

- The Institute would continue to set aside the mandated twenty-five percent for institutional grants and contracts.

- In any reductions in the rate of growth for a program, the Institute will seek to maintain the integrity of the program operations developed to date, so that it will be in a position to resume a carefully planned and controlled growth plan as soon as available funds permit.

Statutory Earmark for Parties — Receptions

Question: Ambassador Lewis, as part of your budget request, you are asking this Committee to include statutory language to override the authorizing law and earmark $4,000 to pay for refreshments at public events. Why is this earmark necessary?

Answer: The Institute conducts a number of public events each year, including open Board meetings, which take place approximately once every six weeks; monthly workshops that extend from late afternoon into the evening on such subjects as "pacifism and citizenship," "lessons of Munich," "control of chemical warfare," "development and peace," and "ethics and foreign policy;" day-long working group sessions; frequent lectures around the country by our Board, staff, and fellows, sometimes co-hosted by local organizations. Because the Institute may not accept private gifts and contributions and, without Congressional approval, cannot use appropriated funds for entertainment and receptions, the Institute itself has been unable to provide even the simplest refreshment such as coffee, tea, or soft drinks at any of these public events, much less provide meals for invited expert participants in our programs, with the sole exception being individual per diem compensation for persons on travel status.

Question: Did you seek to have this included as permissible use of funds when the Institute of Peace Act was reauthorized last year?

Answer: No, we did not.

Question: Since you do not have earmarked funds for this purpose now, who, if anyone, pays these expenses currently?

Answer: We do. At Board meetings, Directors and staff both contribute; at co-hosted events, we must rely wholly on our co-host; and at workshops and all other activities to which the public is invited, Institute staff pay from their own pockets. Directors and formal participants in workshops travelling from out of town receive per diem, which includes money for meals, but local individuals do not.

New Peace Institute Endowment

Question: Ambassador Lewis, your budget makes reference to the establishment of a new "Endowment of the U.S. Institute of Peace." Since the Institute is forbidden by statute from receiving any outside contributions, what funds go into the Endowment?

Answer: Pursuant to section 1704(c) of the United States Institute of Peace Act, in September 1987 the Institute established the Endowment of the United States Institute of Peace as a District of Columbia nonprofit corporation governed by the same persons who form the Institute's Board. Applying section 1710(b) of the Act, from time to time funds are transferred from the Institute's Treasury account to the Endowment, which has an account in the National Bank of Washington. There the funds are invested in federally-secured instruments and disbursed as needed.

Question: I understand that the Endowment is used, in part, to retain funds from year to year so that the funding does not lapse. Who decides what amounts are transferred into the Endowment and how are these decisions made? What becomes of the interest income on the Endowment — how is it used?

Answer: The Board has delegated to the Institute's President the authority to transfer funds into the Endowment. The Board exercises oversight through the Chairman's consultations with the President and the President's financial report at Board meetings. Additional control occurs through the Office of Management and Budget, which apportions the Institute's annual appropriations by quarter, so transfers can be made only when funds are available. Presently, funds in the Endowment are used to pay for rent, grants, fellowships, media programs, and such miscellaneous expenses as postal box rental for the essay contest. Institute funds — which are in the Treasury — are used for personnel, travel, and other contracts; their management is assisted by the Office of Administration, Executive Office of the President, with which the Institute has a service agreement. Interest in the Endowment is treated as standard operating funds and is used like all directly appropriated funds, for example, to pay for fellowships and grants.

Supporting TV Programming — Success in Marketing

Question: Mr. Ambassador, it appears that more than half of your Education and Public Information budget for 1990 is for television and media programming. You supported the production of a TV program once before. What can you tell us about how many citizens actually viewed your last production?

Answer: In fiscal year 1987, the Institute undertook production of an hour-long educational television program and a four-part video series on the subject of U.S.-

Soviet relations, concentrating on the role and contributions of summitry to peacemaking. The program was produced in cooperation with the Woodrow Wilson International Center for Scholars and South Carolina Educational Television (SCETV). It was completed in fiscal year 1988 using only prior year funds. Distribution was by the Southern Educational Communications Association. Although there is no way to measure the actual television viewing audience of "Face-to-Face: Conversations on U.S.-Soviet Summitry," in light of the markets served and the timeliness of the broadcasts (at the time of the December 1987 Washington summit and also the May 1988 Moscow summit), viewership has been estimated at several hundred thousand in the United States and a significant number outside the United States, as well, both American citizens and foreign nationals.

Question: How many stations carried the show?

Answer: Eighty-five public television stations (not quite 1/3 of 309) have carried the program. The United States Information Agency distributed the program on cassette through pouch to many posts abroad and also broadcast it as a major pre-summit program in December 1987 on WORLDNET, its satellite telecasting service. Additionally, the program was broadcast by satellite overseas by the Armed Forces Radio and Television Service.

Question: How successful have been your efforts to market the video materials associated with your first production?

Answer: In addition to producing "Face-to-Face" as an hour-long educational television program, the material was structured into four topical half-hour video programs for classroom and adult education use, with an accompanying 50-page discussion guide. Marketing has been managed under contract by SCETV. At this time, 35 sets have been sold (at $150 each) to high schools, universities, and civic groups. Marketing to conventional educational and foreign-affairs groups continues and attention to libraries has just begun.

Question: What will be the topic of your next television production and how do you expect to influence the public through this effort?

Answer: Review by the Institute's Board and staff has led us to conclude that, at this time, the previously planned sequel to "Face-to-Face" has been overtaken by the happy fact that innovative, high quality media programming on many aspects of U.S.-Soviet relations is now under way by a number of producers, substantially prompted by "perestroika" and new varieties of U.S.-Soviet contacts. The Institute, therefore, is applying its experience from producing "Face-to-Face" to a new TV/video initiative targeted at schools, community colleges, and civic groups. The preliminary concept is a series of short (three- to eight-minute) audio-visual modules produced for weekly distribution by educational cable or public television channels. Topics would include issues and ideas central to the peaceful resolution of international conflict, both in contemporary and historical voice. Substantial collaborative interest has been expressed in exploratory conversations with some channels. Modules would be designed to enhance existing curricula, and control over use would remain in the hands of teachers. It is anticipated that the format would be useful for community discussion activities, as well. These materials will be open to varied applications, depending upon the informational or educative needs of the user. Like the "Face-to-Face" video series, we expect these modules will have a lengthy shelf-life, as they will not be tied tightly into headlines. The "influence" we seek is a better

informed public, one which can identify and assess the complex challenges for international peacemakers posed by historical and current events, together with an exposure to new, promising approaches to conflict resolution.

Decision Making on Solicited Grants

Question: I see that the Institute is again seeking to expand funding for solicited research projects. Who decides what topics will be solicited?

Answer: Lists of themes and topics for consideration by the Institute's Board are developed by Institute staff, in consultation with leading scholars and practitioners (including Institute fellows) in the fields of peace studies, international relations, security studies, and the like. They are reviewed by the Board and then discussed and settled in the public part of a Board meeting. The first cycle of solicited grants took place in 1988. Topics were: the role of deterrence in avoiding war; comparative study of armed conflicts in the third world; teaching public understanding of the Geneva Conventions; the relationship between domestic regimes and the aggressive use of force internationally; and religion, peace, and war. While scholarship is an important aspect of solicited grants, awards are made for education, training, and information purposes beyond research. For example, the largest award made in the 1988 solicited grant cycle was to the American Red Cross to develop materials and resources for public education on the principles of international humanitarian law based on the Geneva Conventions. In addition to the formalized competition, the Institute from time to time invites proposals in specialized areas, such as negotiation training, citizen education and outreach activities, and library development.

Question: What topics will you support this year and what topics do you anticipate for 1990?

Answer: In 1989, solicited grant proposals were invited on the general theme of "mitigation or resolution of regional conflict — lessons for negotiators and policymakers." Themes and topics for consideration for the 1990 competition have not been proposed or selected yet. Some under consideration by staff are: the changing roles and relationships of the U.S. and the Soviet Union in the management of international conflict; regional conflict (continuing the 1989 focus); world economic change and international security; peace and development; the evolution of European economic and political cooperation; supranational resources: sea and space as areas for international cooperation or conflict; the United Nations and the future of multilateralism; and curricula, material development, and teacher training for pre-collegiate education. In addition, as in 1989, the Institute will continue to expand the reach of its Grants Program to include specialized areas of negotiation training, education and outreach, and library development.

Institute's Support From Other Federal Agencies

Question: I see from your budget materials that the Institute received more than a quarter of a million dollars from other government agencies during FY 1988. What were the sources of these funds?

Answer: We did not receive new funds from other government agencies. This was purely a bookkeeping transaction. The funds originated in the fiscal year 1985-1986 appropriations for the Institute. The Institute became operational mid-way in fiscal year 1986, and by the end of that year, the expenditure of funds was

concentrated on administrative start-up costs. For fiscal year 1986, we transferred a total of $3.7 million to our Endowment. For fiscal year 1987, Congress appropriated $625,000 for the Institute as a sum in addition to that in the Endowment. In order for the Institute to pay staff, rent, travel, and other operating costs out of the Treasury, it became necessary to move $657,000 back from the Endowment to a trust fund in the Treasury where it could be used by the Institute. At the beginning of fiscal year 1988, the trust fund again became important to the Institute's operations, as Congress enacted a continuing resolution extending prior year appropriation levels which, for the Institute, was only $625,000. In order to operate during the first quarter of fiscal year 1988, we transferred $270,000 to the trust fund. See table at page 67 of the budget request. Congress enacted permanent appropriations in late December 1988. By then, most of the money in the trust fund had been exhausted. Once the books were closed at the end of fiscal year 1988, the $10,000 that remained in the trust fund was transferred to the Endowment and the fund became inactive.

Question: What work did the Institute perform for these payments?

Answer: The funds were used for the Institute's general operating costs as explained above.

Question: What level of such support do you expect to receive from other government agencies in 1989 and 1990?

Answer: None.

Peace Institute "Speaker's Bureau"

Question: Ambassador Lewis, your budget materials state that as part of your outreach activities, you intend to develop a more formalized "speaker's bureau" for your directors, fellows and staff. Will the Peace Institute be charging any fees above expenses for their speakers? If so, what will the revenue from these fees be used for?

Answer: The Institute does not accept expenses nor charge fees for its speakers. Because the Institute is barred from accepting private or institutional gifts or contributions, it does not accept funds from organizations or individuals to defray or cover expenses, including travel costs and the per diem expenses of meals and lodging. In addition, neither the Institute nor its speakers charge or receive fees for appearing on behalf of the Institute. For Institute work, staff is paid a salary; Directors a daily rate of pay; and fellows a stipend.

Incidentally, since submitting my formal statement to the Subcommittee, the Institute has arranged for a number of upcoming outreach engagements, which will take place in Mississippi, New Jersey, Rhode Island, Ohio, Illinois, Indiana, Kansas, Nebraska, and Colorado. In addition, the Institute will be represented at three important conferences in the period ahead: in Boston, the first meeting of the Peace Studies Association; in Washington, D.C., the Jennings Randolph Forum of the Council for the Advancement of Citizenship, where the subject will be "Educating for Peace: Realities, Rights, and Responsibilities;" and in Atlanta, the "American Forum: Teaching for the 21st Century." At each occasion, the Director, fellow, or staff member will discuss the Institute's mandate and program activities, and will describe how individuals may become involved in our work, as well as various aspects of international peace and conflict resolution.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE (USAF, RET), GOVERNOR

ACCOMPANIED BY:

COL. ROBERT HAMPTON, DIRECTOR OF ADMINISTRATION AND SECRETARY-TREASURER

DR. MIMS AULTMAN, DIRECTOR OF HEALTH CARE FACILITY

BETTY WALKER, BUDGET OFFICER

PREPARED STATEMENT

Senator HARKIN. Our last witness is Lt. Gen. George H. McKee, Governor of the U.S. Soldiers' and Airmen's Home. The home provides dormitory living and long-term medical care for some retired soldiers of the Regular Army and airmen of the Air Force. General, your statement will be made a part of the record in its entirety.

Please introduce the other witnesses who are with you at the table for the record, and if you could summarize we have a vote at 12:05 on Mr. Cheney to be Defense Secretary. I will have to leave at about 10 after to make sure that I make that vote.

[The statement follows:]

STATEMENT OF GEORGE H. McKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1990 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1990 appropriation request as compared with the fiscal year 1989.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; The Surgeon General, U. S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; Commander, U. S. Army Community and Family Support Center; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D. C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 1,987 beds. Our hospital has a capacity of 385 beds. Throughout the years,

the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and later the Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courtsmartial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U. S. C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 6.6 percent interest on its fund balance. Public Law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund balance on September 30, 1988 was $159 million.

MEMBERSHIP

Our male members range in age from 41 to 101, with an average age of 69. Our female members range in age from 46 to 92, with an average age of 76. There are 70 female members. The average age of the patients in the Health Care Facility range from 40 years to 101 years with the average age being 74 years. Average total membership during the fiscal year 1988 was 2,002, including 1968 present.

THE FY 90 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1990 operation and maintenance appropriation allowance is $37,573,000, an amount only $325,000 more than its fiscal year 1989 budget authority of $37,248,000 which includes $794,000 for FY 89 pay related items. A detailed description is included in the Home's justification booklet which has been submitted to the committee.

THE FY 90 BUDGET FOR CAPITAL OUTLAY

The Home's fiscal year 1990 capital outlay appropriation allowance is $8,500,000, an amount $6,320,000 less than its fiscal year 1989 budget authority of $14,820,000. FY 1990 funds are to be used to continue projects included in the Home's Restoration Plan.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

BIOGRAPHY OF GEORGE H. McKEE

A. Personal Data:
Born: 28 April 1923, Pickens, South Carolina
Married to: Nikki Young
Children: Two
Home Town: Lakeland, Florida

B. Education:
Military--
Army Administration School
Air Tactical School
Industrial College of Armed Forces
Civilian--
University of Omaha - B.A. Degree - Education

C. Major Permanent Duty Assignments:

	From	To
Enlisted -- Instructor, Airplane Mechanics Course, Aircraft Crew Chief, Flight Chief, Quality Control Inspector, Pilot B-17, B-29 Aircraft. Highest enlisted grade, Master Sergeant	1940	1947
Aircraft Commander, Squadron Maintenance Officer, Adjutant, Operations Officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.	1947	1955
Command Project Officer, SAC Command Control System	1955	1960
Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain	1960	1961
Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain	1961	1963
Deputy Commander for Maintenance, Blytheville AFB, Ark.	1964	1965
Commander, 319th Bomb Wing, Grand Forks AFB, N. D.	1965	1966
Commander, 97th Bomb Wing, Blytheville AFB, Ark.	1966	1967
Commander, 72nd Bomb Wing, Ramey AFB, Puerto Rico	1967	1968
Commander, 19th Air Division, Carswell AFB, Texas	1968	1970
Director, Maintenance & Engineering, Headquarters USAF	1970	1972
Chief of Staff, Strategic Air Command	1972	1973
Commander, Eighth Air Force, Guam	1973	1974
Commander, Air Training Command	1974	1975
Retired from active military service, over 34 years	--	1975
Presidential appointment as Governor, United States Soldiers' and Airmen's Home	1 November	1978

D. Decorations and Service Awards:
Distinguished Service Medal (with 2 Oak Leaf Clusters)
Legion of Merit (with Oak Leaf Cluster)
Distinguished Flying Cross
Air Medal (with 4 Oak Leaf Clusters)

Good Conduct Medal
European/African/Middle Eastern Campaign Medal (with 4 Service Stars)
Vietnam Service Medal (with Silver Star)
Air Force Outstanding Unit Award Ribbon
Legion of Merit from Spain
Outstanding Civilian Service Medal, Department of the Army (1983)
Exceptional Civilian Service Award, Department of the Air Force (1988)

INTRODUCTION OF ASSOCIATES

General McKee. Thank you, Mr. Chairman. On behalf of the Soldiers' and Airmen's Home, members and staff, we want to thank you for the opportunity to appear before you this morning. On my left I have Dr. Mims Aultman, Director of our Health Care Facility. On my right is Col. Robert Hampton, the Director of Administration and Secretary-Treasurer for the home, and Mrs. Betty Walker on his right is the home budget officer.

Mr. Chairman, I do have some additional remarks that I would like to make but in the interests of time I would like for those to be added to the record and I can provide that information to your staff here.

OPERATION AND MAINTENANCE

Just briefly, I would like to say that our budget for this year is $37,573,000, which is only $325,000 more than the budget was last year. We are experiencing a problem at the home in that we are not permitted to carry forward certain requirements that are approved in our budget from year to year to increase our base.

An example of that was the committee last year added $605,000 to our 1989 budget which we were not allowed to carry forward into the 1990 budget, we absorbed the pay increases and have other program requirements that were not included, such as additional physician pay of some $300,000. We had an increase in our nursing salaries last year for several hundred thousand dollars and these funds do not appear, are not reflected in this year's fiscal year 1990 budget request.

So we are asking the committee's consideration here that those amounts of moneys be restored, similar to the others, and so that we can carry them forward so we can increase our budget base. We find at the home that a wall is being built around our requirements somewhat, because of these actions where we cannot carry forward the various budget requirements which should increase the base—and as a result we are suffering from a staff reduction and not being able to accomplish the required maintenance we must do. We are not able to replace equipment, replenish supplies, and items of that nature.

So Mr. Chairman, in the interest of time I will not make any other comments. We will answer your questions at this time, sir.

INTERMEDIATE CARE FACILITY

Senator Harkin. General, this committee has provided $15 million in each of the last 2 years for construction of an intermediate care facility. Last year we even passed an amendment on the floor

to grant these funds. What is the progress to date on this intermediate care facility?

General McKee. At the present time, Mr. Chairman, the design for the facility is being completed. It should be 100 percent completed on May 5 of this year. On the 5th of July we should be advertising in the Commerce Business Daily for prospective bidders on the contract. These are tentative dates I am giving you.

Hopefully, on September 5 we will be able to open bids for that facility, awarding the contract in October of this year with a notice to proceed on the 20th of November. Construction should be starting in about January 1990. We are expecting it to take about 2 years to construct the building.

Now simultaneously, sir, we have a study that is being conducted under the auspices of HHS at the direction of OMB, to determine the number of medical beds we need there at the home. Now the ICF—people don't understand that this is a replacement facility and this study is going to project our future bed needs for our health care facility at the home.

I am optimistic about the outcome of that study and hopefully, you will continue to support our requirement for the dining hall/intermediate care facility. Everything is moving on schedule so far as the ICF facility is concerned.

Senator Harkin. So HHS is doing a study to see whether or not the intermediate care facility is really justified?

General McKee. They are doing a study to determine our future bed needs for the home.

Senator Harkin. But what if they come back and say that an intermediate care facility is not really warranted there?

General McKee. Mr. Chairman, as I have told everyone, we have been working on this project for about 5 years. All you have to do is go through our facilities and see that these buildings that were constructed at the turn of the century, 1900, 1917, 1918, should be replaced.

In fact, an official on the Veterans Administration house staff commented just the day before yesterday, he stated there are no facilities in the VA system as bad as what we have there at the home, and for us not to be able to replace these buildings when we have $21⁰ million in a trust fund that was established for that express purpose, not to take care of these veterans that we have there, is very, very wrong.

If anyone comes up with the idea that the ICF should not be constructed, hopefully, we would be able to get your support and the other members of the committee to insist that this facility be constructed.

Senator Harkin. I will have to learn more about the U.S. Soldiers' and Airmen's Home.

General McKee. Yes, sir; we are only 2½ miles north.

Senator Harkin. Yes; I went to Catholic University Law School so I saw it over there and never really knew what it was.

General McKee. If you want to come out some day and get your morale boosted and yourself pumped up, that is the place to do it.

NAVY HOME

Senator HARKIN. Well, I guess as an old Navy man I wonder how come the Navy is not involved?

General MCKEE. They do have their home, Mr. Chairman, down in Gulfport, MS. It was formerly in Philadelphia and it was located in Gulfport about 1975, 1976 timeframe.

Senator HARKIN. Do they do the same thing as you? How come they are not up before us?

General MCKEE. They are supported out of appropriated funds. They have a much smaller capacity.

HOME MEMBERSHIP

Senator HARKIN. You have 2,000?

General MCKEE. Approximately 2,000.

Senator HARKIN. I was just looking at your testimony. Most of them are very elderly. Your average age of men are 69, and women of aged 76, average. Average age of the patients in the health care facilities is 74 years.

General MCKEE. That is correct, sir.

Senator HARKIN. Has it been designated as an intermediate care facility? Do you have that designation?

General MCKEE. That is only part of the complex we have, Mr. Chairman. Approximately 20 percent of our membership live in the health care facility. The other 80 percent live in dormitories.

Senator HARKIN. Now, you have got 2,000 people—and I have got to run, but how do you decide who gets in and who does not get in? You must have a lot more requests than what you are able to accommodate.

General MCKEE. Yes, sir; we have about 60 people on the waiting list right now. Admission is established by law. The statute tells us who we can admit to the home.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. We may have some other questions we might want to submit to you in writing.

At some time I am going to want to come out and look at the facility and staff can arrange that.

General MCKEE. We would look forward to that very much.

Senator HARKIN. Thanks, General. Thanks for all your good work out there. If there is nothing else, I have to go. But thank you for being here and being so patient and waiting.

General MCKEE. We are just 2½ miles north, sir, so we can accommodate you.

[The following questions were not asked at the hearing, but were submitted to the Home for response subsequent to the hearing:]

93-211 O - 90 - 19

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

INTERMEDIATE CARE FACILITY

Senator Harkin: This Committee has provided $15 million dollars in each of the last two years for construction of an intermediate care facility. Last year, we even passed an amendment on the floor to grant these funds.

We understand that OMB is stalling the process, citing a statute from 1883. But I have a legal opinion from CRS here that says our appropriations bill supersedes the 1883 law.

I don't understand the delay -- does the Home still support construction of this intermediate care facility?

Gen. McKee: While OMB has questioned construction of the new ICF, which is to include a sorely needed replacement dining hall and kitchen for our patients, the only impact so far is that an OMB-directed study of the Home's overall future medical needs is being conducted under auspices of the Department of Health and Human Services. It is to be completed in another two months, and I do not expect it to affect the ICF construction schedule beginning in Autumn this year. In that connection, we should receive the final design plans and specifications for the new facility in early May.

Senator Harkin: Please explain this delay?

Gen. McKee: Although there certainly have been prospects for delay of the ICF construction, at present we are progressing satisfactorily. With the final design package in hand about seven weeks from now, we will then advertise for construction bids and make certain site preparations before actual work begins this fall. We will certainly be alert for any indications or developments which might result in delays, for I am very mindful of the strong Congressional mandate for the Intermediate Care Facility contained in Public Law 100-436.

Senator Harkin: How many studies have been conducted already, and by whom?

Gen. McKee: Sir, I mentioned earlier that the Home has been working on this requirement for some five years, and that anyone with an interest in the proper care of elderly veterans can just visit the Home and some of its older buildings, to see the clear and pressing need for an up-to-date replacement facility. We need a much improved ability to provide proper nursing care, and that's the ICF's principal purpose. But we also have a need to replace the existing, deteriorated, 70-year-old health care dining and kitchen building. The design for the new ICF incorporates that requirement, as well.

Also, our supervisory Board of Commissioners -- including The Surgeon General of the Army and the Chief of Engineers -- has made

reviews of these needs and approved and validated them. The first doubting and criticisms came out as a part of an OMB study for the overall Home, the report of which was issued in April of 1988. There was no medical or engineering expertise on that study at all, and it did not assess our facility needs -- it just criticized and questioned our planning and the improvements that we need to make out there.

Our Board of Commissioners held a special meeting with OMB officials in May 1988, in an attempt to correct or clear up this and several other objectionable contents of the study report. As concerns the ICF, OMB insisted that another study be done of the Home's future health care needs, and arranged for a Health and Human Services contractor to perform it, at the Home's expense. Today, almost a year later, that study is nearing completion and its report is due in early May.

Overall, in the past 12 years almost 20 separate studies of the Home and its health care needs have been conducted. It seems to me it's time to stop making studies and start getting things done. That's exactly what we have been doing, and we'll keep on doing so, as long as the Congress sees fit to support our capital outlay appropriations needs.

Senator Harkin: What proportion of the Home's membership is in need of the nursing care this facility will provide?

Gen. McKee: Characteristically and for many years, about one-fifth of our membership requires hospitalization, most for long-term care. But among our membership at any given time there are a number who are in an intermediate stage -- not fully able to live independently in a dormitory environment, yet not in need of actual hospitalization. Our surveys and experience have convinced the Home staff and our Board of Commissioners that the 200 beds in the new Intermediate Care Facility will be adequate to meet this need.

Senator Harkin: Can't these veterans be taken care of in a local VA facility?

Gen. McKee: Both the Home and Chairman Montgomery of the House Veterans Affairs Committee have very recently put this question to the VA. The answer is no, they cannot.

OPERATIONS AND MAINTENANCE BUDGET

Senator Harkin: General, the operations and maintenance budget request for FY 1990 is $325,000 more than in FY 1989. Yet the budget justification notes it will take more than twice that amount, or $689,000, to accommodate the federal pay raises in FY 1989 and FY 1990. Over and above federal pay raises, I know OMB has approved extra increases for doctors and nurses to bring them more into line with the private sector. These increases don't appear to be funded in your request are they?

Gen. McKee: OMB has approved our Physician's Comparability Allowance Plan, and earlier in the budget process we requested $300,000 as an enhancement to fund this plan. However, the $300,000 is not included in the President's Budget. Comparability pay is essential if we are to attract and keep qualified physicians for our medical facility.

Four different increases in federal salary costs have been stacked up against the Home's FY 90 O&M. First, there was the special nurse pay raise approved by the Office of Personnel Management in January 1988. Then came the two-percent 1988 general pay increase, followed by the 4.1 percent January 1989 pay raise. Fourth, we must absorb 75 percent of the anticipated January 1990 pay raise. All had to be considered in our FY 90 budget request. Again, you are correct -- these cumulative high costs were not in the President's budget, so we are forced to absorb them among non-salary accounts and by cutting back our within-grade and career ladder promotions. The impact is truly severe.

Senator Harkin: What was your original request to OMB for Operations and Maintenance (O&M) for the home in FY 1990?

Gen. McKee: Our original request was $37,483,000 at the current level ceiling. In addition, the Home identified $2,012,000 in funds needed just to restore our operational and routine maintenance contracts, supply, equipment, and utility accounts to adequate levels. All of these accounts have been seriously eroded due to the absorption of salary and benefit costs over the past two years. Further, we requested an additional $3,000,000 at the enhanced level, bringing our total FY 90 O&M budget request to $42,495,000.

I would like to add that our original request had as its basis our FY 1989 budget request then before Congress. That request of $36,643,000 was $605,000 less than our actual FY 1989 appropriation. When we appeared before the subcommittees for our FY 89 hearings, both the Senate and House recognized the seriousness of the impact of the special nurse pay increase and two-percent general pay increase on Home operations. In a conference agreement, the Home was allowed an additional $1,057,000 which brought our total FY 89 O&M to $37,700,000. This amount was later reduced by a statutory 1.2 percent, resulting in a net FY 89 appropriation to us of $37,248,000 -- $605,000 above the President's request. But only $90,000 of this amount could be carried forward to our FY 90 current level, resulting in the request before you of $37,573,000.

Senator Harkin: With this O&M budget increase being used up by salaries, what impact does that have on the other aspects of the O&M budget? I'm particularly interested in the impact on the hospital?

Gen. McKee: The absorption of the several pay raises is having a devastating effect on our non-salary operational accounts. As mentioned above, our initial budget request approved by the Board of Commissioners and the Army and Air Force Secretaries identified $2,012,000 in requirements which we felt were the minimum necessary

to bring the Home back up to a satisfactory operating level. These included funds to provide electricity for newly installed air conditioners, service contracts, painting and paving contracts, needed items of equipment, and adequate supply stockage levels. While certain maintenance, some repairs, and isolated replacement purchases might be postponed temporarily, we've already gone too far down that road. The time comes when these can no longer be deferred. The impact on our health care is particularly felt due to the fact that inflation in the U.S. for medical care is currently rising at a rate of 10.7% annually, as compared to our FY 90 inflation allowance of 3.6% on non-salary expenses. The total overall increase of our FY 90 budget request is less than 1 percent more than our FY 89 appropriation. It has been necessary to curtail equipment purchases and training, and to reduce other non-medical supply costs where we can, in order to provide bare essentials in pharmaceuticals and medical supplies. Our supply shelves are being maintained at unacceptably low levels.

When one compares the amounts available for our non-salary accounts in FY 90 with the funds obligated for those same accounts in FY 83 and notes that we have less now than then, it can easily be understood why the Home is being damaged by these serious shortfalls. In FY 83, we obligated $8.8 million for non-salary expenses as compared to $8.5 million allocated in FY 90, seven years later. In FY 83, 32 percent of our total budget was obligated for non-salary expenses; in FY 90, that's down to only 22 percent. Clearly, this isn't going to work. If we are confronted, either this year or next, with any kind of unfinanced cost of an urgent nature -- a heating plant breakdown in mid-winter or a major electrical transformer failure, or just a long very hot summer with attendant high power costs -- then I frankly do not know how we will cope with it. Again, I must report to you these conditions clearly aren't going to work.

Senator Harkin: What level of funding would be necessary to maintain the current level of services provided in fiscal year 1989?

Gen. McKee: The level of services provided in FY 89 is not adequate. While the additional $605,000 allowed in our FY 89 appropriation did help, it was not enough to compensate for the FY 88 increases. As I have said, we were obliged to absorb the full impact of the FY 89 pay increase and a substantial increase in health insurance benefits. These costs can be absorbed only by holding our employment level well below our authorized strength of 1,037 FTE, and by further reducing our already eroded non-salary accounts. If it were not for the federal deficit challenges and other more urgent national needs, I would answer you by asking for an additional $5 million. But this is no time for us to expect all our needs to be fulfilled -- so my bottom-line reply to you is an added $2 million, for a total FY 90 appropriation of $39,573,000. Again, our trust fund will readily support this. However, if the additional amount is not then carried forward as part of our O&M base in FY 91, we will be back where we started.

CAPITAL OUTLAY

Senator Harkin: General, please give the Subcommittee a status report on the restoration plan for the Home that has been approved by the Home's Board of Governors.

Gen. McKee: Mr. Chairman, the record of the past eight years of appropriations in support of our Restoration Plan shows that a little more than 73.5 million dollars have been provided. Our request of $8.5 million for FY 90, if approved, would bring that cumulative appropriation to about 82.1 million dollars -- which represents roughly 40 percent-plus of our Plan's total estimated cost.

It is good to be able to report to you today, that the beneficial results of your steadfast support, year after year, of our renovation and modernization needs can be seen and felt today throughout the Home.

The major ongoing restoration project is our big central Scott Dormitory, under total wing-by-wing renovation since late 1987. It is to be completed by the end of this year. The areas already completed and re-occupied are truly something to see: central air-conditioning -- more spacious, modern individual rooms with larger closets and the Home's first private baths -- new double-pane windows for better comfort and energy conservation. I wish, Mr. Chairman, that you and other committee members could come see first-hand the tangible results of your appropriations; to compare the "before-and-after" among dormitory rooms; and especially, to hear what the member occupants have to say about it.

Our next major project is the new Dining Hall/Kitchen/Intermediate Care Facility. We should receive the final design package for that building on 5 May 1989. Concurrently, we have a future medical needs study for the Home being conducted by contract under the auspices of HHS. This study will be completed in about 60 days. In my opinion it will not impact on the construction start date of the ICF, which should be this fall.

This summer is just a few months away. We are proud to report that, for the first time in the 138 years of the Home's history, every dormitory member and health care patient there will be residing in an air-conditioned room -- the one exception being, of course, the final wing of the Scott Dormitory, as we prepare to evacuate it for the last phase of its renovation as I have described.

Many smaller capital improvement projects around the Home have been completed during the past six years, and several major undertakings besides the Scott Dormitory are in progress. Examples of the latter include:

- The renovation and repair of the Home-wide distribution system for steam heat and hot water, which is carried through buried pipes;

- The correction of asbestos deficiencies, which have been located by professionals and will be done as each building is renovated;

- The installation of a modern, centralized fire alarm and smoke detection system, also coupled with building renovations; and

- The renovation of the central domiciliary dining room and kitchen, a separate project in the Scott Dormitory.

Four of these ongoing major projects -- heating system repair, asbestos correction, fire alarm installation, and dining facility renovation -- plus a project for update and revision of the Home's Master Plan, were partially financed in phases by prior-year capital outlay appropriations. Over $3.2 million of our FY 90 budget request would be devoted to fully finance them.

I have been advised that henceforth, the Home's capital outlay budget requests for any project must contain the total estimated cost of the project, except where design and construction are separate phases. The FY 90 request is therefore a "transition" one which would complete the financing of our remaining projects that were funded incrementally in past years. I should just point out that this can be expected to cause future-year capital outlay requests to be much greater in years when funds for large building renovation or construction costs are requested, as compared to intervening years when phases of such projects are being accomplished.

The remaining $5.3 million in capital outlay is requested to enable continued progress toward completing our Restoration Plan. I will briefly summarize the principal ones.

- $1.4 million -- to renovate and repair the eleven passenger elevators and one freight elevator serving our King Health Center. These elevators are 30 to 40 years old, so we keep operators on them to reduce safety hazards to our elderly patients.

- $1.64 million -- to renovate the deteriorated building shared by our heating plant and the Home's laundry, and to convert the heating plant's burners and controls so that either natural gas or fuel oil may be burned, not just oil as at present. We think the conversion will help us to realize both cost efficiency and energy conservation, over time.

- $1.00 million -- to fund A & E design, plans and specifications for our second major dormitory renovation. Central air-conditioning and private baths would be installed.

- $1.20 million -- to fund eight smaller projects for the renovation, restoration, and improvement of the Home's facilities. In this category of projects I am about $750,000 short due to the cost of funding for the window air-conditioning units, and the OMB-directed study of the Home's future medical needs.

Senator Harkin: The capital outlay account has been reduced from $15 million down to $8.5 million. Will this amount be sufficient

to continue work on all the projects currently underway, or have you postponed any projects?

Gen. McKee: Yes sir, with the exception of the $750,000 shortfall I mentioned, as the result of providing temporary air-conditioning and financing the OMB-directed study. This of course assumes the Congress will support our future year requests to permit completing of the restoration plan's other requirements.

SCOTT DORMITORY

Senator Harkin: What is the status of the project to upgrade the Scott Dormitory?

Gen. McKee: Construction for total renovation of our Scott Dormitory began in October 1987. The project includes central air-conditioning with individually controlled heating/cooling units in each room; conversion of every third room to private baths and closet space for the two adjoining rooms; installation of energy-efficient windows; installation of fire alarm and sprinkler systems; and upgrading of the electrical systems. The project is more than 50 percent complete, with 295 renovated rooms now re-occupied by well satisfied members. The project is scheduled for completion by the end of this year.

Senator Harkin: Will this upgrade reduce the capacity of the Home?

Gen. McKee: There will be some reduction from the current bed capacity. However, the conversion of every third bedroom to private bathrooms is partially offset by the conversion of little used day-rooms to member rooms. The Scott capacity will be reduced from 793 to 648 member rooms after renovation. The planned renovation of other dormitories in the future will provide additional rooms to offset the reduced capacity.

AIR CONDITIONING

Senator Harkin: General, summers in Washington are hot and humid enough to be unhealthy, especially to the elderly. This Subcommittee requested that you install air conditioning at the Home. What is the status of this important improvement?

Gen. McKee: Today, Mr. Chairman, except for those areas of Scott Dormitory still under renovation, all Home accommodations where our members and patients live have air-conditioning -- for the first summer in our history. I must emphasize that, in several buildings where renovation and central air-conditioning are to be done in future phases, temporary window units have been installed to achieve greater comfort sooner. But this is costly in electricity and maintenance, so it does not mean that thorough renovation could be deferred or discarded. Instead, it means that we have achieved an important interim step in accomplishing our total plans.

PROJECTED NEEDS FOR HEALTH CARE

Senator Harkin: General, you say that almost one-fifth of the Home's residents need nursing care now. I'd like to know where we're headed in terms of the future health care needs. Have any studies been done to project the need?

Gen. McKee: There have been some 17 contracted studies since 1977 on the Home and its health care needs. Three of the most recent are the 1986 "Study of Future Needs", by Geier, Brown and Renfrew; The 1987 USSAH Master Plan and Intermediate Care Facility, by Smith, Hinchman and Grylls; and The Health Care Assessment Study, now in progress by Lewin/ICF for the Department of Health and Human Services.

All studies and reports point to a substantial future increase in the number of elderly who need hospital or long-term care. This message is well known today, that society is aging, so health care must accommodate to the changes and provide the essential services.

The Home membership's average age has continued to rise and will go on rising in future years. Our efforts are directed at keeping our residents as independent as possible by using attendant care and community health type nursing, known as home care. Our current assumptions and planning for dormitory and health care beds and services would provide adequately at least through the year 1999 -- if we are permitted to get on with planned construction and renovation.

Senator Harkin: Who is financing the studies?

Gen. McKee: The Home's trust fund has financed all these studies.

TRUST FUND OPERATION

Senator Harkin: General McKee, expenses for operations and capital expenditures for the U.S. Soldiers' and Airmen's Home are funded through the Home's trust fund. Is the trust fund adequate to finance your renovation needs and your annual operation expenses?

Gen. McKee: While any such fund experiences variables of costs and revenues that cannot be foreseen accurately, one of which is inflation, we are confident that our trust fund as presently constituted will be quite adequate to meet all the Home's renovation and operational needs for the duration of our total restoration plan.

SUBCOMMITTEE RECESS

Senator HARKIN. Thank you. The subcommittee will stand in recess until Tuesday, April 4, to receive testimony from the Department of Education on their budget.

[Whereupon, at 12:08 p.m., Friday, March 17, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, April 4.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

TUESDAY, APRIL 4, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Burdick, Specter, Stevens, and Cochran.

DEPARTMENT OF EDUCATION

SECRETARY OF EDUCATION

STATEMENT OF LAURO CAVAZOS, SECRETARY OF EDUCATION

ACCOMPANIED BY:

CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

SALLY CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

OPENING REMARKS BY CHAIRMAN HARKIN

Senator HARKIN. The Subcommittee on Labor, Health, Human Services, and Education, Related Agencies of the Appropriations Committee will come to order.

Good morning to everyone. I want to welcome Secretary Cavazos to our hearings this morning, and to his first appearance before this subcommittee.

We've heard a great deal from President Bush about his commitment to education, and his interest in being known as the education President. And I want you to know I welcome this kind of leadership. The future of our Nation and the competitiveness of American industry in world markets depends on a strong education for our children.

We in the Congress want to join President Bush. Many of us want to take up President Bush's challenge, as issued in his State of the Union Message, and become the education Congress. Together, I believe, we can make some very strong progress.

Given the challenge issued by President Bush, I am surprised, however, to see that the administration's budget does not support

the rhetoric. Instead of increases for education, we see that based on all the pending 1989 supplementals, and the 1990 proposed amendments to President Reagan's original budget, the total funding for education in fiscal year 1990 would actually decrease $253.2 million below the fiscal year 1989 levels.

FLEXIBLE FREEZE IN 1990

We've heard a lot about the flexible freeze concept that would hold everything, except for some new initiatives, at the 1989 outlay level. This is one option the administration has suggested to help pay for the Bush initiatives, and still meet our deficit targets.

This initiative, however, would cut education another $3.5 billion. Surely, this is an option that we must all reject.

CHAPTER 1 AND PELL GRANTS

Eighty-five percent of the President's education budget request is targeted on the needs of the disadvantaged. That's good. Yet, when we look at the two largest programs serving the disadvantaged, chapter 1 and Pell grants, we discover that inflation increases would result in no enhanced benefits to any students. In fact, just last week, the President sent us a budget amendment asking us to cut $50 million from chapter 1 and cut $64 million from student aid from the levels already enacted for 1989.

This morning we want to explore with Secretary Cavazos the question of the Department of Education having enough funding to meet the needs of the Nation, and to support President Bush in his commitment to become the education President.

STUDENT LOAN DEFAULT PROBLEM

Additionally, I want to focus this hearing on the student loan default problem.

For years there has been widespread concern expressed regarding the guaranteed student loan default rate which will cost us $1.9 billion in fiscal year 1990, unless we do something about it. These precious dollars, now lost, could be reinvested in the education needs of the Nation. The cost of this problem has grown over $650 million just since 1987.

Secretary Cavazos, to his credit, has been preparing a default management plan since he became Secretary last September and several default reduction proposals are included in the fiscal year 1990 budget. We want to talk with the Secretary this morning about those and other proposals that could help reduce the default rate and the default expenditure. We need to reduce this expenditure, which, in my mind, is nothing more or less than wasteful spending. It is a problem that we need to solve, so that we have the needed resources to meet our other commitments in education.

Again, I want to welcome Secretary Cavazos, who received his doctorate from, perhaps the most outstanding university in America, Iowa State University in Ames, IA, and all of the education officials here this morning to our hearing.

At this time I would keep the record open for an opening statement by our ranking member, Senator Specter. I would recognize

my colleagues for any opening statements that they might have. Senator Burdick.

Senator BURDICK. Thank you, Mr. Chairman. Good morning.

I'm pleased to be here for this important hearing on education. I look forward to the testimony of Secretary Cavazos and others. I must chair another hearing, but I will stay for as much of the session as I can.

I'm concerned about the lack of specifics in the administration's budget proposal thus far. I hope we will soon have more details about the President's plans for meeting our Nation's wide ranging educational needs, while reducing the deficit.

RURAL EDUCATION

Since most of North Dakota's 471 public schools are in rural areas, my special concern is with rural education. I believe students in rural areas are often shortchanged when it comes to national education initiatives. The President's new education initiatives, such as alternative certification and magnet schools, are really geared to urban schools. We need help to find and fund educational programs for rural schools. These are bad times for rural America. Rural education is suffering, along with the rest of the rural economy.

I have some specific questions for the Secretary to answer in person, or in writing. I'd also like the Secretary's thoughts on rural education and how to help rural schools.

The Midwest has always been a friend to education. People in rural areas have helped support national initiatives to help all the schools, rural and urban. Now, rural education needs help. I hope our response will be strong and positive.

So, I welcome you to the committee and hope to join the hearing a little later this morning.

Senator HARKIN. Thank you, Senator Burdick. Senator Stevens.

Senator STEVENS. I don't have a prepared statement. I'm pleased to be here. I saw on my calendar that the Secretary was going to be here, and I, too, have another hearing. I've read your statement, Mr. Secretary. It's a very good one, and I am delighted to see the new emphasis that you and the President are bringing to this area.

ADMINISTRATIVE COST PROBLEM IN LESS POPULATED STATES

There's only one thing, and I will not be able to stay to ask a question, but I'd like to call your attention—mostly in the past, most of the programs we have had, have dealt with the fact that smaller States have a minimum cost problem in terms of administration.

I don't see, in the new proposals that the Secretary is bringing forth, a basic minimum cost assumption for small States. All States have at least some administrative costs to get programs like this under way. And then, they get an allowance based on population. When you have allowances based on population alone, the smaller States can never even get going.

I just want to ask you, if you would, to consider that as you go along. I cannot stay to ask questions, but I appreciate your courte-

sy, Mr. Chairman. Nice to see you and your colleagues here, Mr. Secretary.

PREPARED STATEMENT OF SENATOR THAD COCHRAN

Senator HARKIN. Senator Cochran has submitted a statement which will be placed in the record at this point.

[The statement follows:]

STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, I'd like to take this opportunity to welcome the Secretary to the subcommittee. I have enjoyed working with you, Mr. Secretary, and I look forward to continuing that relationship in this subcommittee as well as the Labor and Human Resources Subcommittee on Education.

In order to improve our educational system, we must recognize the key to success is those men and women who are working each day to make it better. I commend you for the Presidential Merit Schools, the President's Awards for Excellence in Education, and the National Science Scholars initiatives.

These proposals deserve the full support of Congress. We must also continue the Federal commitment to existing educational programs that are working to improve our schools. Chapter 1 funds, for instance, provide instructional and support services for millions of educationally disadvantaged students. In Mississippi, over 125 thousand public school students in 759 schools are receiving Chapter 1 instruction this year. Another 2,700 private school students are being served. Test scores in reading, mathematics, and language arts are improving. Medical and guidance services are provided. In short, Chapter 1 is working in my State and across the country.

I want to work with you, Mr. Secretary, in seeing that both Chapter 1 basic grants and concentration grants are adequately funded. I thank you for your support of the concentration grant program, in particular.

I hope that as we begin the appropriations process, this committee will recognize the importance of the Star Schools program. Mississippi is participating in three of the four grants which were funded last year under the Hawkins/Stafford Act. This fall, 112 schools in the State will be the beneficiaries of foreign language, math, and science instruction via satellite communications. Students will have the opportunity to study courses which otherwise might not have been available to them.

I look forward also to working with you, Mr. Secretary, on funding and reauthorization of vocational education. These programs provide needed services to those students who are involved in career oriented and technical training. More than 50 percent of the jobs that are currently developing will require skills greater than those now provided by existing educational programs. Our vocational education system must be prepared for the future. I hope that we can authorize and fund the Tech-Prep program, designed to tie in the last two years of secondary training with two years of community college. Federal support ($100 million for fiscal year 1990) would include development of curriculum, joint teacher training, and recruiting training for counselors.

Mr. Secretary, we appreciate your cooperation with our subcommittee and thank you for the good leadership you are providing at the Department of Education.

PREPARED STATEMENT

Mr. HARKIN. Secretary Cavazos, your full statement will be included in the record, and again, welcome to this subcommittee. At this time, please proceed with your oral summary.

[The statement follows:]

STATEMENT OF LAURO F. CAVAZOS

I am pleased to appear before you to discuss the 1990 budget for the Department of Education, my first budget as Secretary.

Before presenting to you an overview of our proposed budget, I would like to share briefly with you some of the President's and my priorities.

American education today is facing greater challenges than ever before. Too many of our students are dropping out before graduating from high school. We must prevent this terrible waste of human potential. Too many of our talented young minds are not being exposed to a college education. We must ensure that all our citizens have equal access to a postsecondary education. Too many of our students are not able to compete successfully with foreign students in such fields as science, mathematics, engineering, history, and geography. We must keep pace with our ever expanding knowledge base, constantly improving the content and quality of our educational programs. These are challenges indeed, and they are shared by all of us.

Budget Themes

With these challenges in mind, I have identified three major components for the Department of Education as we enter the decade of the 1990s. The first is expectations. We must expect that children will be taught and nurtured in their earliest years which are so crucial to their later success in school. We must expect that workers will be prepared for the jobs of the 1990s and beyond. We must expect that handicapped persons will be given every opportunity to become independent and take their rightful place in society. Indeed, we must expect that all of our citizens will be educated to their fullest potential, as well as expect educators to be properly prepared to teach our youth.

My second component is access. Every student -- whether the academically talented or the slow learner, whether majority or minority, whether rich or poor -- should have access to a quality education.

My third component is accountability. All of us must be accountable when it comes to education. Teachers must be accountable for the knowledge and inspiration they impart to their students. Parents must be accountable for the support and encouragement they give their children during their educational years. Students must be accountable for their work and commitment to a lifetime of learning. And legislators and administrators at all levels -- Federal, State, and local -- must be accountable for ensuring that the educational dollar is wisely and effectively invested.

President Bush's Budget Plan

Much of the 1990 Budget now before you --$21.9 billion--was submitted by former President Reagan on January 9, 1989. As you know, however, on February 9, 1989, President George Bush announced his budget plan, which included specific recommendations for initiatives in the Education Department. On March 10, President Bush submitted $441 million in formal budget amendments for these initiatives, which I will discuss later in this statement.

As part of his budget proposals, the President announced his plans for achieving substantial deficit reduction through use of a portion of the large revenue growth of more than $80 billion for this purpose. The budget plan, which has several aspects, includes a freeze at 1989 outlay levels, in the aggregate, of a residual category of mainly discretionary domestic programs totaling $136 billion. The Bush Administration is negotiating with Congress on the budget plan as a whole, including this residual freeze category. Many of the Education Department's discretionary programs are in this pool.

For items in the residual category, pending the outcome of negotiations with Congress, we are treating President Reagan's budget proposals as if they were proposals of President Bush. I personally helped to develop them and I hope many of them wind up in the eventual compromise budget solution.

I stress, however, that the President's statements on the priority he attaches to education have been quite clear. He is and he intends to be the Education President. While the resources asked for should never be the measure of commitment in this or in any area of government activity, throughout the President's budget document, Building a Better America, the Administration has emphasized investment in education as a national priority.

I will now explain the specific initiatives President Bush is seeking. I will then be happy to respond to any questions you have on those initiatives or on items in the original submission.

President Bush's Education Initiatives

In total, President Bush proposes $441 million in new education initiatives.

- We are requesting $250 million for a new Presidential Merit Schools program. Awards would be made by States to schools that show improved educational performance in such areas as reading, writing, and mathematics; make progress in creating a safe and drug-free environment; and reduce the rate of dropouts. States may give special emphasis to schools enrolling large numbers or proportions of disadvantaged children. Schools would be able to use their awards for any educational purpose they deem appropriate.

- Magnet Schools of Excellence, at $100 million, would build on the well accepted and highly successful magnet schools concept, by funding

magnet schools for purposes other than desegregation. By increasing competition among schools and enhancing educational choice, this program will improve the quality of all schools.

- New Experiments and Data Collection for Educational Achievement, at $13 million, would stimulate innovation across the full spectrum of education issues by encouraging further experimentation with many of the ideas now being generated at the State and local levels, and would collect new data critical to support of education reform.

- A request of $7.6 million to support the President's Awards for Excellence in Education recognizes the critical educational role played by teachers. This program would provide national recognition and financial rewards to those excellent teachers who are highly motivated and committed to high standards of performance for themselves and their students. Awards of $5,000 would go to selected elementary and secondary teachers in each State.

- A new National Science Scholars program, at $5 million, would provide scholarships of up to $10,000 per year for each year of undergraduate study to high school seniors in every State who demonstrate excellence in the study of science and mathematics and plan to further their studies in these fields in college. This program will encourage growth in the supply of American scientists and engineers, so necessary to maintaining and improving our competitiveness in today's world markets.

- An amount of $25 million for Alternative Certification of Teachers and Principals would provide one-time grants to help interested States enlarge the supply of good teachers and principals by developing alternate routes into teacher and principal positions. Too many existing certification systems make it difficult, if not impossible, for persons with excellent subject matter knowledge or leadership skills to teach in a classroom or be the principal of a school. These funds would help States to establish or expand alternative certification programs so that qualified persons who are interested in education careers who want to teach can bring their talents into the schools.

- A new $25 million Drug-Free Schools initiative, Urban Emergency Grants, would concentrate additional funds in the cities where our most significant drug problems exist. This would bring to $392 million the amount supported by President Bush to fund Department of Education programs under the Drug-Free Schools and Communities Act.

- o Historically Black Colleges and Universities would be aided by an increase of $10 million for endowment matching grants, providing these institutions a unique opportunity to launch new or more intense fundraising campaigns in the next few years.

- o Support for the Education of Homeless Youth and Adults would be expanded by an additional $5.2 million. Of this amount, $2.5 million would be used to implement and fully fund the McKinney Act program for Exemplary Grants for services to homeless elementary and secondary students. An additional $2.7 million would also be provided to fully fund the McKinney Act program for literacy training for homeless adults. In all, $17.5 million is proposed to fund McKinney Act programs in the Department of Education.

In addition to these initiatives, we are submitting amendments to increase the budget for the Guaranteed Student Loan Program in both 1989 and 1990, and to decrease the budget for the Pell Grant program in 1990. For Guaranteed Student Loans, we are requesting an additional $562.5 million in 1989, for a total supplemental request of $892.4 million, including $330 million requested in January for the 1988 program; and an additional $62.5 million in 1990. The GSL amendments reflect increases in uncontrollable costs and are due to higher interest rates--thus, higher Federal subsidies--than those assumed in January. For Pell Grants, we are reducing the 1990 request by $148 million, from $4.740 billion to $4.592 billion, based on recent re-estimates of program costs associated with new economic assumptions and higher-than-expected recoveries of prior year obligations. The Pell Grant amendment, like those for GSL, is based on technical changes and does not change the policies proposed by President Reagan in January.

To offset necessary increases proposed in 1989 discretionary appropriations, the President is proposing a Government-wide across-the-board reduction of about 1.1 percent in 1989 appropriations for programs in the President's 1990 budget plan in the residual category. For the Department of Education, this means a total decrease of $185 million from the 1989 appropriated amount.

President Reagan's Budget

The 1990 budget transmitted to Congress by President Reagan on January 9, 1989, included $21.9 billion for the Department of Education.

Focusing on the At-Risk Populations

More than $6.3 billion, or 28 percent of the Reagan budget, would fund a variety of programs that focus on those Americans who are at risk: the poor, minorities, the illiterate, the limited English proficient, the homeless, migrants, and immigrants and refugees.

Some 5.7 million disadvantaged elementary and secondary school children with special needs would receive Chapter 1 compensatory

education services. The request of $4.7 billion for this program includes an increase of over $151 million. Within this total, President Reagan proposed $263 million for Concentration Grants -- an increase of over $90 million, more than 50 percent -- to target Chapter 1 funds more intensively to areas of greatest need. The proposal would also continue two new programs under Chapter 1 -- Even Start, to help Chapter 1 parents do better in their role as their child's first and most important teacher, and Capital Expenses, to help finance equitable facilities for providing Chapter 1 services to disadvantaged children who attend private schools.

A number of other programs, for which President Reagan also proposed increased funding, round out this category in his budget. For instance:

- An amount of $157.1 million would enable over 260,000 limited English proficient children -- 10,000 more than in 1989 -- to receive bilingual education to help them enter English-speaking classrooms as quickly as possible. Another $47 million for payments to school districts would help cover educational costs for about 439,000 immigrant and refugee students.

- At the postsecondary level, the TRIO programs would be funded at over $228 million, providing counseling, tutoring, and other support services to encourage about 525,000 disadvantaged students to enter postsecondary institutions and complete their education. The requested increase of $9 million would ensure that these students would continue to receive the same level of services in spite of projected cost increases.

- President Reagan proposed $180.5 million for institutional development grants for historically Black colleges and universities and other needy postsecondary institutions that provide a significant avenue of access and opportunity for minorities and the financially disadvantaged.

- Almost 4.2 million adults would be taught basic skills or helped in their efforts to attain high school equivalency. The Reagan budget includes $161 million for adult education grants to States -- an 18 percent increase and the highest level ever for this program.

Focusing on Special Education and Rehabilitation

President Reagan requested $3.9 billion, 17 percent of the Department's budget, for programs that enhance opportunities for the handicapped. Grants to State educational agencies will cover 7 percent of the excess cost of providing more than 4.3 million preschool, elementary, and secondary handicapped children a free appropriate public education and related services. This is an increase of 47,000 children over the 1989 level. Funds for State rehabilitation agencies will help one million physically and

mentally disabled adults become gainfully employed. The budget includes $10.7 million -- more than double the 1989 level -- for technology assistance grants to help establish comprehensive statewide programs. Thus, 16 States -- 8 more than in 1989 -- would be better able to provide assistive devices and services to disabled persons. Also within the $3.9 billion total, the budget includes $110 million, a 5 percent increase, for the three special institutions for the handicapped, with whom the Federal Government continues to have a special relationship. We must improve the achievements, the productivity, and the independence of Americans with disabilities.

Student Aid

In the student aid area, President Reagan requested $8.8 billion -- 40 percent of our total budget -- for grants, loans, and work-study opportunities for over 6 million college students, most of whom are financially needy. As I mentioned earlier, we are amending the January budget proposal for Pell Grants, for a new total of $4.59 billion, a $108 million increase over the 1989 level. This proposal demonstrates a commitment to maintaining grant support for the neediest students. More than 3.1 million students would receive Pell Grants, an increase of 43,000 over 1989. This number includes approximately 131,000 less-than-half-time students, many of whom attend community colleges, who would be supported for the first time in 1989 and 1990. The request would maintain a maximum award of $2,300, and also includes sufficient funds to cover the estimated $3 million Pell Grant shortfall in the appropriation for 1989. Thus, the Department issued a full payment schedule for all eligible full- and part-time students for academic year 1989-90. Funds for Work-Study, Supplemental Grants, Guaranteed Student Loans, and Income Contingent Loans round out the student aid budget. Assistance to college students supported by all Department student aid programs would total $19.1 billion in 1990, an increase of $800 million over the $18.3 billion in 1989.

School Reform and Quality

The remaining 15 percent of the budget -- or $3.4 billion -- would support increased levels for programs that focus primarily on school reform and improving the quality of education. Included is $507 million for Chapter 2 block grants and national programs designed to promote educational reform and excellence. The Reagan budget allocated $367 million for the Drug-Free Schools and Communities Act -- an essential component of the Administration's strategy to reduce the use of drugs throughout the Nation. The budget requests $142 million to improve the training of teachers and the quality of instruction in mathematics and science, and $949 million (including the permanent appropriation) for the Carl D. Perkins Vocational Education Act, for which we are submitting a reauthorization proposal to Congress.

In conclusion, our Administration has a powerful commitment to education so that every American can be both a self-fulfilled and a contributing member of our society. I look forward to working with this Committee as we address the challenges faced by American education.

I will be happy to respond to any questions you may have on our new initiatives or on items in the budget proposed by President Reagan in January.

BIOGRAPHY OF LAURO F. CAVAZOS

POSITION	:	Secretary of Education
BIRTHPLACE AND DATE	:	The King Ranch, Texas, 1927
EDUCATION	:	Texas Tech University, 1949, B.A. in Zoology Texas Tech University, 1951, M.A. in Zoology (Cytology) Iowa State University, 1954, Ph.D. in Physiology
EXPERIENCE		
1988-Present	:	Secretary, U.S. Department of Education
1980-1988	:	President, Texas Tech University and Texas Tech University Health Sciences Center Professor of Biological Sciences, Texas Tech University Professor of Anatomy, Texas Tech University Health Sciences Center
1973-1980	:	Dean (Acting, 1973-75), Tufts University School of Medicine
1972-1973	:	Associate Dean, Tufts University School of Medicine
1964-1972	:	Chairman of Anatomy, Tufts University School of Medicine
1964-1980	:	Professor of Anatomy, Tufts University School of Medicine
1960-1964	:	Associate Professor of Anatomy, Medical College of Virginia
1956-1960	:	Assistant Professor of Anatomy, Medical College of Virginia
1954-1956	:	Instructor in Anatomy, Medical College of Virginia
1949-1951	:	Teaching Assistant, Texas Tech University, Lubbock, Texas
1945-1946:	:	U.S. Army
RECENT CHAIRMANSHIPS:		Chairman, Southwest Athletic Conference Council of Presidents, 1987-88. Chairman, Education Committee, Texas Science and Technology Council, 1984-85. Chairman, Speaker Bill Clayton's Vital Issues Project for Higher Education in Texas, 1982-83.

Chairman, Governor's Task Force on Undocumented Mexican Workers, 1981-82.
Chairman, Accreditation Study Committee of the Association of Texas Colleges and Universities, 1981-83.
Chairman, Governor's Higher Education Effectiveness Council, 1981-82.

HONORS AND AWARDS :

1988 LULAC National Hispanic Leadership Award in the field of education.
Lauro F. Cavazos Award for outstanding service to Texas Tech University designated by Ex-Students Association, October 1987.
Named as one of "100 Influential Hispanics" by Hispanic Business magazine, August 1987, Vol. 9, No. 8.
Hispanic Hall of Fame Award, League of United Latin American Citizens, 1987.
Distinguished Service Medal, Uniformed Services University for the Health Sciences, 1985.
Outstanding Leadership Award in the Field of Education, presented by President Ronald Reagan, 1985.
Hispanic Educator of the Year, Texas Chapter of the League of United Latin American Citizens, 1981.
Education and Teaching Awards—from graduating medical class on five occasions.
Alumni Achievement Award, Iowa State University, 1979.
Distinguished Alumnus, Texas Tech University, 1977.
Honorary Member, Tufts Medical Alumni Association, 1976.

INTRODUCTION OF WITNESSES

Secretary CAVAZOS. Thank you very, very much. Mr. Chairman, members of the committee. I deeply appreciate the opportunity to be here with you, and to hear some views of the members of this subcommittee on quality education. I hear so much as Secretary of Education.

I'm pleased to introduce my colleagues, Mr. Charles Kolb and Ms. Sally Christensen, in the Office of Planning, Budget, and Evaluation, from the Department of Education.

I would like to briefly summarize my statement and if possible, Mr. Chairman, I would like to submit the entire statement for the record.

BUDGET OBJECTIVES

American education today is facing greater challenges than ever before. Keeping students from dropping out, providing access to a college education, competing successfully with other countries, and keeping the pace with our ever expanding knowledge base is a challenge—the key challenges that we must face.

With these challenges in mind, I've identified three major components for the Department of Education, as we live the decade of the 1990's. They are expectations, access, and accountability.

We must expect that all of our citizens will be educated to their fullest potential and expect educators to be properly prepared to teach our youth. Every student, whether the academically talented, or the slow learner, whether majority or minority, whether rich or poor, should have access to a quality education. And all of us must be accountable when it comes to education.

Teachers, parents, legislators, administrators, and students themselves, must be accountable for ensuring that the educational dollar is wisely and effectively invested.

PRESIDENT BUSH'S BUDGET AMENDMENTS

Much of the 1990 budget now before you, $21.9 billion, was submitted by former President Reagan on January 9, 1989. On March 10, President Bush submitted $441 million in formal budget amendments for his specific education initiatives, which I would like to summarize for you.

PRESIDENTIAL MERIT SCHOOLS

We're requesting $250 million for a new presidential merit school program. Awards would be made to States to award schools that show improved educational performance in such areas as reading, writing, mathematics, making progress in creating a safe and drug-free environment, and reducing the rate of dropouts.

MAGNET SCHOOLS OF EXCELLENCE

Magnet schools of excellence, at $100 million, would build on the well-accepted and highly successful magnet school concept by funding magnet schools for purposes other than desegregation.

EDUCATIONAL ACHIEVEMENT DATA COLLECTION

New experiments and data collection for educational achievement at $13 million would stimulate innovation across the full spectrum of educational issues, by encouraging further experimentation with many of the ideas now being generated at the State and local level.

EXCELLENCE IN EDUCATION AWARDS

A request for $7.6 million to support the President's awards for excellence in education, recognizes the critical educational role of teachers, by providing national recognition and financial rewards to those excellent teachers who are highly motivated and committed to high standards of performance.

SCIENCE SCHOLARS PROGRAM

A new national science scholars program at $5 million initially, would provide scholarships of up to $10,000 per year for each year of undergraduate study to high school seniors in every State who demonstrated excellence in the study of science and mathematics, and planned to further their studies in these fields in college.

ALTERNATIVE CERTIFICATION PROGRAM

An amount of $25 million for alternative certification of teachers and principals would provide one-time grants to help interested States enlarge the supply of good teachers and principals by developing alternative routes into teaching and principal positions.

DRUG FREE SCHOOLS: URBAN EMERGENCY GRANTS

A new $25 million drug-free schools initiative, urban emergency grants, would concentrate additional funds in the cities where our most significant drug problems exist. This would bring to $392 million the amount supported by President Bush to fund Department of Education programs under the Drug-Free Schools and Communities Act.

POSTSECONDARY ENDOWMENT MATCHING GRANTS

Historically black colleges and universities would be aided by an increase of $10 million for endowment matching grants, providing these institutions a unique opportunity to launch new and more intensive fund-raising campaigns in the next few years.

HOMELESS YOUTH AND ADULT EDUCATION

Support for the education of the homeless youth and adult would be expanded by an additional $5.2 million, for a total of $17.5 million to fully fund the McKinney Act.

FISCAL YEAR 1990 BUDGET SUBMITTED BY PRESIDENT REAGAN

The 1990 budget, transmitted by President Reagan, January 9, 1989, included $21.9 billion for the Department of Education. More than $6.3 billion, or 28 percent of the Reagan budget would fund a variety of programs that focus on those Americans who are at risk—the poor, minorities, illiterate, limited English proficient, the homeless, the migrants, and immigrants and refugees.

Another $3.9 billion, or 17 percent of the Department's budget, was requested for programs that enhance opportunities for the handicapped.

In the student aid area, President Reagan requested $8.8 billion. Forty percent of our total budget for grants, loans, work study opportunities for over six million college students, most of whom are financially needy.

In conclusion, our administration has a commitment to education, so that every American can be both self-fulfilled and a contributing member of our society.

I look forward to working with this committee as we address the challenges that are faced by us, and by American education.

I will be happy to respond to your questions that you may have on our new initiatives, or on the budget proposal, or any other item at this time.

Mr. Chairman, that concludes my statement. I will be pleased to respond to your questions, or perhaps submit them in writing. Whatever you'd like, sir.

Senator HARKIN. I'd like to cover some things with you, Mr. Secretary.

Secretary CAVAZOS. Fine.

Senator HARKIN. Being cognizant of your time demands, we also will have some questions that we will submit in writing.

Secretary CAVAZOS. I'd be pleased to stay as long as possible, Mr. Chairman.

Senator HARKIN. You're very kind, Mr. Secretary.

FISCAL YEAR 1990 BUDGET REQUEST COMPARED WITH FISCAL YEAR 1989

I guess I might say that someone listening to my opening statement, and listening to your opening statement, might think we're discussing two different countries here, or two different budgets, or two different proposals.

I pointed out in my opening statement that, based on all of the pending 1989 supplementals, and the 1990 proposed amendments, the total funding for education for fiscal year 1990 would actually decrease $253.2 million below the fiscal year 1989 level.

I also pointed out that the flexible freeze, which you mentioned in your statement is still pending the outcome of negotiations with Congress—but again, if we were to accept this flexible freeze proposed by President Bush, we would cut education $3.5 billion.

Now, the President said he wants to add money to the Department of Education. He has sent up budget amendments to add $441 million. But again, compare the budget request for 1990 with your supplemental request for this year, and what we find is a decrease of $253.153 million. And again, the freeze would be about $3.5 billion.

How can we become the education Congress, and how can President Bush become the education President, if we accept these kinds of proposals? How are we differing on the money here?

Secretary CAVAZOS. Thank you, Mr. Chairman.

FISCAL YEAR 1990 BUDGET REQUEST

Let me try to clarify some of the points that have been raised here. Basically, the budget that we are working from, that we are submitting here at this time, represents President Reagan's initial proposal, which, in essence, is the same level that we have this year. It's $21.9 billion, plus the $441 million of the new initiatives that have been proposed by President Bush, and that total combination constitutes our request.

As you so accurately point out, approximately $16 billion of that, I believe, is in the pool that is tied up in the flexible freeze. There are other parts of it that are entitlements, and therefore, not part of the discretionary programs section of the budget.

What we're also seeing here is that we have to include in the budget the allocations for meeting the full requirements for the guaranteed student loan program. I'm going to ask Mr. Kolb to talk just a little bit about that, and then I'll come back and follow up on some of the other points.

Would you clarify that?

Mr. KOLB. Yes; Mr. Chairman.

Senator HARKIN. Mr. Kolb, I just might add for the record that when I was announcing my figures here, of education being cut $253 million below 1989 in 1990, I noticed you were shaking your head vigorously.

FUNCTION 500 FEDERAL EDUCATION LEVEL VERSUS REQUEST

Mr. KOLB. Yes; this figure of $3 billion, supposedly cut from the education budget, I think, first surfaced on the front page of the New York Times on February 10. It came as a surprise to all of us. Let me try and explain that.

CREDIT REFORM PROPOSAL

That number looks at the function 500 column, which is education spending across the entire Federal Government, not just the Department of Education. What that number includes is a very technical calculation. It's the credit reform proposal that OMB has included in the budget, which costs out the life of the cohort of guaranteed student loans, and brings their net present value back into the budget. That is what accounts for the $3 billion negative figure that was reported by the New York Times.

If you look at the actual numbers, as the Secretary explained, what we had was level funding between fiscal year 1989 and what President Reagan proposed in January of this year for fiscal year 1990.

Now, if you look at what's happened since January, you end up with the same level funding. The 1989 spending for the Department of Education by our figures, including the supplemental for the Guaranteed Student Loan program and the reduction proposed by the supplemental last week, comes to $22.3 billion. That is exactly what our request is for fiscal year 1990, when you add the Reagan request, the Bush initiatives, and revisions to the GSL and Pell Grant programs.

PELL GRANTS REQUEST

Now, you also made a point about Pell Grants, about the dollars going down. Again, those dollars reflect economic assumptions with regard to the family allowances, and how those grants are calculated. We show an increase of 46,000 students participating in the Pell Grant program, not a reduction of access at all.

CHAPTER 1 REQUEST

As to chapter 1, if I can pick up on one other point, you should note that that program has one of the largest increases of any of the programs in the Department. For concentration grants, we are increasing the funding $90 million, approximately 52 percent. Again, this follows up on the Hawkins-Stafford reauthorization of last year.

Secretary CAVAZOS. If I may continue along that line, Mr. Chairman. Looking at this budget, what we were able to do was to call back the budget after it had been submitted initially by Secretary Bennett. That one had already gone in, and I was given the courtesy of being able to reshape and give new direction to those dollars

after I arrived on board. We were able to redesignate $750 million from within the budget itself, into some areas that I really felt needed more concentration, very frankly.

Senator HARKIN. You're talking about next year?

Secretary CAVAZOS. Yes, sir; next year. So we were able to move more dollars, particularly into chapter 1 and into Pell Grants for the coming year's budget proposal.

FISCAL YEAR 1989 SUPPLEMENTAL PROPOSAL TO REDUCE BUDGET AUTHORITY

Senator HARKIN. Let me make it clear, Mr. Kolb, that I was talking about the cuts in chapter 1 in the 1989 supplemental. There is a 1.1 percent across-the-board cut that just last week the President sent up, which would mean $50 million from chapter 1, from levels already enacted for 1989. Is that incorrect?

Mr. KOLB. Let me explain that. If you look at the effect of that proposed supplemental, it includes reductions in budget authority of about $184 million. When you translate that into outlays, actual dollars between now and the end of this fiscal year, it's approximately $39.5 million.

If this happens, and I said "if" it happens, and again, it's been sent to the Congress, it's not technically a rescission. "If" it happens, we will find every way possible to avoid reductions in areas that would have a direct effect on services.

I should also add that this is not, by any means, a new idea. The House full committee and the full House passed a 21 percent across-the-board reduction in 1987. So I think you look at this in the context of a technical adjustment to the budget of the current fiscal year.

FISCAL IMPACT OF FISCAL YEAR 1989 SUPPLEMENTAL

Senator HARKIN. So in the supplemental, let me get this straight. In the Department of Education, in the 1989 supplemental, the 1.1 percent across-the-board cut, equals $184 million in budget authority?

Mr. KOLB. That's correct.

Secretary CAVAZOS. That's correct.

Senator HARKIN. Reduction?

Secretary CAVAZOS. Yes.

Senator HARKIN. This year. That translates into an outlay reduction of——

Secretary CAVAZOS. About $39 million.

Senator HARKIN. About $39.5 million.

Mr. KOLB. That's correct. We should also point out that——

IMPACT OF SUPPLEMENTAL PROPOSAL ON CHAPTER 1

Senator HARKIN. I was going to say also that budget authority for chapter 1 is a $50 million cut of that total of $184 million; $50 million is cut from chapter 1.

Mr. KOLB. That's correct.

Senator HARKIN. OK.

FISCAL YEAR 1989 GUARANTEED STUDENT LOAN SUPPLEMENTAL PROPOSAL

Mr. KOLB. You should also add the increase in budget authority and spending that was included in the supplemental for the Guaranteed Student Loan program, that comes to approximately $562 million. So, again, when you look at the——

Senator HARKIN. Is that not just because interest rates went up?

Mr. KOLB. That is correct.

FISCAL YEAR 1989 SUPPLEMENTAL PROPOSAL IMPACT ON PELL GRANTS

Senator HARKIN. OK. So, again, what is happening—I'm still pointing out that Pell Grants have been cut in fiscal year 1989.

Mr. KOLB. That's not accurate in terms of the impact, because there will be no loss in terms of student access. What you have there is a readjustment in the amount of money that will be spent for the Pell Grant program based on family need and eligibility factors. Also, money that has come back from institutions is recaptured because it wasn't spent. That explanation is a little different, I think, than the one you gave, Mr. Chairman.

Secretary CAVAZOS. Mr. Chairman, I raised that very critical point also, with Mr. Kolb and his people. I was concerned because Pell Grants, as far as I am concerned, is one of the Department's most important programs that we fund. In fact, by readjusting the request for next year, we were able to increase Pell Grants about 2.4 percent.

So when I saw in there that there was a change in the fiscal year 1989 funding, I really raised that issue, and I've been assured that it is a technical kind of adjustment that occurs. Basically, the same number of students would be served at the same level as we had requested and planned for when I managed to run the budget request for Pell Grants up a little bit further.

So I am assured that the same dollars will be provided to those students, and to the same number of students. I'm technically correct there, am I not?

Mr. KOLB. Yes, sir; yes.

Secretary CAVAZOS. All right. It caught my eye very quickly also, because Pell Grants, as far as I am concerned, are really the best way that we have to get youngsters through college.

PROGRAMS WITH PROPOSED INCREASES

Chapter 1 is another area that we were able to shift some money into for the coming year, although these adjustments are going on right now. Despite the 1.1-percent cut, we managed to increase our request for concentration grants by 52 percent.

Let me give you some examples of the kinds of things that you can do within the budget itself for the coming year, and these are discretionary programs that we are able to shift money to, and we were, therefore, able to have an increase of about 3.4 percent.

I've mentioned Pell Grants and chapter 1. Special education is up 3.4 percent; vocational education is up 3.4 percent; adult education State grants, 18 percent; education for the homeless, 46.7 percent; and drug abuse programs, up 3.5 percent. What we're doing

here is taking dollars from other programs that we feel either have served their purpose, or are duplicative of what we have, or are now being terminated because the private sector can complete the task better. And we were able to shift, therefore, $757 million into some areas that I consider of high priority.

PELL GRANT COST REESTIMATES

Senator HARKIN. I'm informed that we have coming to us from OMB, a reduction of $148 million in Pell Grants for next year. Are you aware of that request coming to us from OMB?

Mr. KOLB. That's part of what we are talking about in terms of the——

Senator HARKIN. That's part of the increase.

Mr. KOLB. Reestimate of the——

Senator HARKIN. That's part of the increase you are talking about?

Mr. KOLB. It's part of how you recalculate the amount of money that will be spent, based on the eligibility factors that are specified in the statute. We're not reducing access to Pell Grants. We're not lowering the number of students who are getting Pell Grants, and I think it is still the case that under the budget proposal before the committee, we will have an increase in the number of students receiving Pell Grants.

Senator HARKIN. Well, it looks to me like you aren't increasing the number of students accessed, nor are you increasing the average amount of the Pell Grant that goes out. What you've done is you've taken the eligibility standards, because of improved economic conditions, and made it so that some students who were previously eligible will not be eligible. So, therefore, you reduce the amount of money down to reflect that and you keep the same situation as you had before. There is no increase at all.

Mr. KOLB. There is an increase in the number of students who will be receiving Pell Grants. The amount of money being spent is changed, and this is, by no means, a novel situation. It's changed because of the results of the way the eligibility factors are coming into play.

When you look at the need analysis that is required for Pell Grants, there has been a change in terms of the numbers. This isn't something the Department, or the executive branch controls. This is based on reality in the world out there as to who is applying for and who's getting the grants.

Senator HARKIN. Well, we'll have to discuss this further, but from what I'm seeing and what our staff is seeing, the budget materials for chapter 1 show that, at best, chapter 1 will serve as many students in 1990 as we're serving in 1989. No increase whatsoever. Would you disagree with that?

Mr. KOLB. It's not taking into consideration the supplemental. We have not costed out that part of it in terms of the number of children who were trying to——

Senator HARKIN. We're talking just about 1990, not about the supplemental. But actually there won't be any increase in chapter 1. At best, we'll serve only the same number of students in 1990 that we served in 1989.

Mr. KOLB. Well, I think that's correct, Mr. Chairman. The number will be about the same.

ADEQUACY OF SERVICES TO THE DISADVANTAGED

Senator HARKIN. Well, given the growing numbers of our Nation's students that are disadvantaged—all of the data that I see show that. Do you really consider, Mr. Secretary, these requests adequate to meet the need of the growing number of disadvantaged students in our society?

Secretary CAVAZOS. I think that what we could say here is that we're going to have to ask everyone to do a better job with the resources that we have available, because we do have these fiscal constraints on us. As much as I agree with you 100 percent, that we need to fund these areas and help them out, the resources just are not there, and we, feel that this budget request will at least help to hold it in a steady state.

CONCENTRATION GRANTS

Mr. KOLB. I would point out that we do show a fairly significant increase in the number of students served through concentration grants, as a result of funding going up about $90,000 from the 1989 level to our fiscal year 1990 request level.

And again, we've targeted more money into concentration grants, picking up the point made by the Congress and the administration, that we ought to target the chapter 1 money on areas of greater need, and that is exactly what we're doing. And we will show an increase in concentration grants.

You're correct. Basic grants will probably stay about the same.

SMALL TOTAL FUNDING INCREASE FOR STUDENT AID

Senator HARKIN. Mr. Secretary, after we factor in all the increases, the cuts, the different things that we have been able to figure out that you have proposed for Student Financial Assistance Programs—Pell, SEOG's, College Work-Study, Perkins Loans, State Student Incentive Grants, Income Contingent Loans—we come up with, as a result, about a $31 million increase. Actually, it's a $30.7 million increase in student financial assistance, about one-half of 1 percent above last year's level.

Given the fact that we have seen a decline in participation of minorities in higher education, and the fact that tuitions continue to rise at between 6 and 8 percent a year, and we only have a one-half of 1 percent increase, how is this budget request consistent with the President's stated priority to enhance access to higher education?

Secretary CAVAZOS. I would point out that we're trying to target the dollars as best we can. Looking at the Guaranteed Student Loan program, we'll be able to leverage about what, about $1 billion?

Mr. KOLB. That's correct.

Secretary CAVAZOS. That would come from the private sector. So what we're trying to do here is the best that we can with the resources we have available.

Mr. KOLB. If I could add to that. If you look at each of those programs that you mentioned, Mr. Chairman, we do not foresee a reduction in access anywhere. As the Secretary mentioned, Pell Grants will actually be available to about 46,000 more students. There will be almost $1 billion in additional capital available through the Guaranteed Student Loan program. We've requested additional funding to expand the Income Contingent Loan Program. By our estimates, we do not see any decreases in terms of access to postsecondary education. There's a very strong commitment by the Department, the Secretary, and the President.

Senator HARKIN. I think that's right. You were adding the guaranteed student loans in there and I did not add those.

Mr. KOLB. That's correct.

Senator HARKIN. We will keep those figures that you've given to us in mind, and keep reexamining those as we go through the year and try to reduce the deficit.

Mr. KOLB. All right, sir.

PUBLIC COMMENTS ON DEFAULT INITIATIVE REGULATIONS

Senator HARKIN. This brings me to my second point that I wanted to bring up today with you, Mr. Secretary, and that is trying to find the resources that we need to meet our commitments in education. And one of these has to do with default rate.

I understand that you've had over 3,000 responses to your solicitation for comment on the default reduction regulations proposed by Secretary Bennett last September.

DEFAULT RATE AND ANNUAL COST

The gross default rate continues to grow, and is expected to be 14.8 percent in fiscal year 1990. The costs of student defaults now approach $2 billion a year. That's almost 10 percent of the entire education budget.

Something's got to be done about this. We cannot continue to go along, having $2 billion a year in defaults by students, or would-be students, or used-to-be students. We've really got to commit ourselves to doing everything possible, legislatively and administratively, to crack down on this default rate.

DEFAULT REDUCTION PROPOSALS

Mr. Secretary, I know that you've had some proposals to deal with this, and I'd like to take this opportunity now to ask you to please comment upon those, elaborate upon those proposals to reduce that default rate.

Secretary CAVAZOS. Thank you very much, Mr. Chairman.

[The information follows:]

Department of Education proposals to reduce defaults—legislative, 1990

	Millions
Share default risks:	
Lenders—90 percent	$3
Agencies—90 percent; 80 percent; and 70 percent	16
Require credit checks, with cosigners for poor risks	7
Delay initial disbursements	78
Require use of data system	8

RESPONSE TO DEFAULT PROPOSALS SOLICITED FROM PUBLIC

Probably one of the first things I did as Secretary of Education was to delay the response on our default reduction proposals back in November. I said before we would put those out, that I wanted to hear from the people out there, because I, like you, have the same commitment. I am deeply concerned that these are real dollars, they're real dollars that must be collected, because what happens is that the people who deserve them are being penalized, in essence, because someone is defaulting down in the system.

So I feel very strongly about it, and I pledge that we'll do the best we can to collect as much of these dollars that are out there as possible, so that we can, therefore, get them back out; so that we can keep this money circulating.

We put out the request. I asked that every university be contacted about this, every college, all of the interested groups. And as you point out, we had a tremendous response. We have since been writing our new regulations, and what we're trying to do is to come up with a system that will help us address these issues.

Overall, it is an effort to try to reduce the number of dollars in default, and to share the default risk that's out there.

As you can see, the proposal up here has the lenders and the agencies sharing the default risk. And these are estimates, presumably, that we'll be able to collect back out there down the road.

We'd also require a credit check, and ask for cosigners for those people that are a poor risk. This is an entirely new initiative.

We would delay for a 30-day period initial disbursements. We sometimes find that these go out right away, and the student drops out after a week. And they say, "I did not even realize, or I never saw the money," and that kind of a thing. So that becomes another strategy to try to do that.

We would require the use of a data system for enforcement; require agencies to remit the loan collections quicker. We would limit collection costs and share loan risk.

These are just some of the kinds of things that we hope to do. Now, one of the—there's another side that we have to consider in this entire issue.

Senator HARKIN. We have another chart here, Mr. Secretary.

Secretary CAVAZOS. Oh, yes; thank you.

[The information follows:]

Other proposals to reduce default costs—legislative, 1990

	Millions
Charge origination fees on SLS and PLUS loans (S. 568)	$125
Charge defaulters market interest rates	10
Require prorata refunds to lenders on behalf of dropouts	
Require participation in IRS tax refund offset program	10
Contact students immediately after they drop out	
Require minimum number of departmental reviews	

OTHER PROPOSALS TO REDUCE DEFAULT COSTS

Senator HARKIN. Put it over this one right here. Put it over this second one right here.

Secretary CAVAZOS. These are other proposals, charging an origination fee, and these kinds of things. Perhaps we might get into that in a little more detail later on.

I think that everything that you see up there—for example, the lender participation, the IRS Tax Refund Offset program, contacting students immediately after they drop out, requiring a minimum number of departmental reviews, are pieces of detail that we need to work out to try to turn this thing around.

I would also lay back on the universities and the schools that have responsibility here, the responsibility for counseling, better guidance. I think that universities, as well as proprietary schools, must do a much better job, so that the student understands from the very beginning that he or she is responsible for a debt.

We've had many students comment, saying, "I wasn't aware; I thought it was a grant." Or, these other kinds of things. Through it all, Mr. Chairman, is the need for us to keep in mind the impact on students themselves, that we have to protect the student. And these, basically, are strategies to protect the students down the road.

For example, one of the biggest problems we also have is trying to track these students. As they move from place to place, we lose track of them, and therefore, can't collect.

DEFAULT TRIGGER

One of the other items that concerns the universities, and I remain concerned about it also, are cutoff rates. At what point do we finally stop funding these institutions. We don't have absolute cutoff rates built into these proposals. But at certain levels, the percentage of default triggers a discussion between the Department and the school about what needs to be done. And, obviously, once it gets up into the high levels, then other mechanisms will kick in place.

I'd like to ask Mr. Kolb now to expand on my comments about this, because he and his staff have been working through all of this, and then we'd be glad to take whatever questions you have, sir.

DEFAULT INITIATING REGULATION

Mr. KOLB. As the Secretary said, Mr. Chairman, we have received over 3,500 comments on the regulation. And what we have done—I can't give you the whole ball of wax at this point, because it is not final, but I can tell you that the regulation will be at the Office of Management and Budget for their normal review today, and we will be pushing them to adhere as closely as they can to their 10-day review period.

Traditionally, regulations in the guaranteed student loan area are fairly complicated, but this is an extremely high priority for this Department, and we will be pushing them very, very quickly.

Senator HARKIN. I just want to tell you, I'm glad to hear that. That's great.

Mr. KOLB. Yes; as to what we're going to be doing, we'd like to see a graduated approach implemented, which really looks like a tiered structure, in which we will go after the worst offenders first.

One of the concerns is, obviously, that you not bite off more than you can chew, and if you throw hundreds and hundreds of institutions into LS&T proceedings overnight, that's going to be administratively difficult for the Department.

So what we are going to propose is that more information be disclosed, that there be better counseling, and that we also have management plans for certain institutions that fall in given ranges of defaults. But we are going to go after the worst offenders as hard as we can.

What you will see emerging from the Department in the next few weeks is a comprehensive strategy that will include, not only regulatory action, a final regulation, following up on the one that was announced last September, but also, where necessary, legislative proposals and increased administrative action in the Department.

If you look at what we have been doing, you will see that we haven't been sitting around waiting for the comments to come in. As you may know, the comment period on this regulation closed just at the end of February, so we have moved very quickly to turn this regulation around.

DEPARTMENTAL ADMINISTRATIVE ACTIONS TO REDUCE DEFAULTS

But in the meantime, we have been expanding the Student Financial Aid Program reviews out in the field. The inspector general, as you probably read in the newspaper, has been very active with regard to a number of problem schools.

We have had stricter enforcement of our due diligence regulations. We have stepped up reporting to credit bureaus. We have imposed a collection cost penalty. We've used a Federal employee salary offset. We've approved writeoff treatment, mandatory assignment of accounts from guarantee agencies, and IRS offsets, which I should add, have been phenomenally successful.

IRS OFFSET COLLECTIONS

In that one program alone, we have collected over $430 million since fiscal year 1986. And we have also referred literally thousands of defaulted accounts to the Justice Department for collection. As of last fall, over 33,000 cases had been referred to Justice.

So, we want to wage a full court press on this problem. As the Secretary said, it's not only a drain on scarce taxpayer dollars, but it's also a problem for students who are getting ripped off, and who aren't getting the quality education that they're being promised.

Senator HARKIN. Thank you very much. I have more questions in this area, but I will defer and recognize my distinguished, ranking member, Senator Specter.

Senator SPECTER. Thank you very much, Mr. Chairman.

Mr. Secretary, and Mr. Kolb, Ms. Christensen, we welcome you here for your first testimony before this subcommittee. You have a very important job, obviously, and a very difficult job, and we are available to work with you very closely on it. I appreciate your taking the time to come to sit with me in advance of this testimony today.

INCREASED ADVOCACY FOR EDUCATION FUNDING NECESSARY

I think you have an unusual opportunity, Mr. Secretary, since President Bush has declared, both in the campaign and after the Inauguration, has declared his interest in being the education President.

As I look at the figures of the request made by President Bush, over and above the request made by President Reagan for the fiscal year 1990 budget, it would be my hope that when you sit around the cabinet room that you are able to bring more of the Nation's resources to bear on education.

You have the declaration from the President himself, and I would be hopeful that there would be more than $441 million to supplement President Reagan's budget of $21 billion, almost $22 billion.

You have a lot of competition there, and I know that the fighting is fierce at OMB. But, I would urge you to pitch in, in every way possible. You'll find a lot of support from this subcommittee, from the Appropriations Committee, and from the full Congress, because in the past we have added to the education budget. As you are aware, you're the champion of this very important objective. So, I would urge you to really dig in, in a ferocious way.

DRUG EDUCATION FUNDING

Upon a related funding line, we have the drug bill, where there are substantial funds which will be coming through your Department. And here, again, it's going to take a lot of advocacy from you, as well as from some of the rest of us.

We authorized $2.7 billion with great political rhetoric and flourish last fall. As I understand it, only $500 million in outlays has been appropriated.

The President talks about another billion, but I think that the Congress will be inclined to appropriate all of the authorized money if the push is sufficient.

There should be a supplement which will be going toward drug education, and that's a good place to begin with a question to you, Mr. Secretary.

ACCOUNTABILITY FOR EFFECTIVE USE OF DRUG EDUCATION FUNDS

I would hope that the Department of Education would have comprehensive targets and goals, and an overview for the application of these very substantial funds for the drug program, for educational purposes.

I'd like to ask you what you have in mind on this subject, to be sure that the moneys which are disbursed to the States and local government for drug education are being used in the best possible manner for educating our children?

Secretary CAVAZOS. Thank you very much, Senator. As far as I'm concerned, one of the most vital issues that we face in the Department, is this whole area of how we're going to deal with the drug problem.

Just yesterday, I gave a talk at our third symposium on drug-free schools; some of the issues that we're facing there.

Personally, I remain committed in this area, because I think it is vital. I'm convinced that if we're ever to stem the drug problem in this country, it's going to have to start within the school system itself by educating young people about the dangers and the horrors of drugs. It is my hope that someday that system will continue to grow, and as they become adults, they'll be able to keep themselves away from drugs, and all of the horrors that drug abuse brings.

Senator SPECTER. Mr. Secretary, you referred to the talk you gave and the commitment you have, and the hope, but what specific standards will the Department of Education be applying to insist and see to it that these drug funds are used in an effective way to educate against drug usage?

Secretary CAVAZOS. Well, there are two ways. One, we have some initiatives that we've started ourselves, that we get out directly to the schools.

DRUG ABUSE EDUCATION VIDEO TAPE DISTRIBUTION/USE

For example, we put out literally thousands of video films. We're doing another one, both in English and Spanish, so that it gets into all of the communities. We literally will have sent out films to every school district in the United States.

Senator SPECTER. Do you check to see that they're actually shown?

Mr. KOLB. They have been shown. They've been very well received.

Senator SPECTER. My question was, do you check to see that they have been shown?

Mr. KOLB. They have been shown. Yes; our public affairs office knows—I mean, they oversee the distribution of these.

Senator SPECTER. Well, they have been shown, but are they shown everywhere? Is there some program for checking to see that they have been shown?

Mr. KOLB. I can't tell you, Senator Specter, that they have been shown everywhere. If you like, we will get you the distribution information, and supplement the record with that.

Senator SPECTER. Well, I would be interested to know it. It's not sufficient to distribute, and it isn't sufficient to say they have been shown. What is really required is to check, to see that they're shown everywhere.

We are putting a lot of money into the drug education program, and what we want to accomplish in the Congress is to see to it that the Department of Education, which has the supervisory function, has standards to see to it that there is drug education, and that it is carried out. That requires more than commitments, and aspirations, and distribution. It requires checking to see what they do.

So, I would like to know, and perhaps you can supplement it for the record, because I have a number of other questions, and our time is brief. What are the mandatory requirements, either now required by the Department of Education, or to be required, and what you have in mind, to be sure that they're carried out?

Mr. KOLB. I should add that some of these videos have been broadcast on the American Broadcasting Corporation, on ABC, and

also on the Learning Channel. So we have tried to maximize the distribution.

SCHOOLS WITHOUT DRUGS BOOKLET

Also, you may well have seen the phenomenally successful Schools Without Drugs booklet, which I believe has now——

Secretary CAVAZOS. Two million, I believe.

Mr. KOLB. Over 2.3 million copies have been distributed. And we can't follow up to make sure that everybody is reading them, but we're doing what we can to get the book out, and we're also updating it, and will be releasing another edition this year.

DETERMINING USE/IMPACT OF DRUG EDUCATION MATERIALS

Senator SPECTER. No, I would agree that you cannot check to see if they're all being read. But you can check to see if those were distributed, and if you have films, you can check to see that those are shown.

We'd like to be sure that the money is being well spent. One of the grave problems we have in a related field on rehabilitation, is to see what the results of the funding are. I believe that there would be a great receptivity in the Congress to spend even more money on drug education, rehabilitation, and the drug issue, if we could see tangible results.

That's a little harder to show on an education line, because we're looking to the future, and it's a capital investment. But, we'd like to see specifically what is being done and that the programs are being carried out.

Secretary CAVAZOS. We will develop some objectives and try to do exactly what you're saying. You know, we put out 125,000 of those video films that I talked about. They're out there. And, certainly, I presume that one could establish different guidelines to determine where they are being used and to try to measure their impact, and I think your point is very accurate.

[The information follows:]

DISTRIBUTION/MARKETING OF DRUG PREVENTION VIDEOTAPES

Superintendents of the 100 largest school districts received five complete sets. Two sets were shipped to superintendents of the next 100 largest districts. The remaining 15,500 public school districts each were sent one complete set. Complete sets also were sent directly by the producers to the 1,500 largest private schools in the Nation, schools operated by the Bureau of Indian Affairs, dependent schools operated by the Department of Defense overseas, and the drug education office of each State and Territorial Department of Education.

Fifty sets were sent to each of the Department's Regional Centers for Drug-Free Schools and Communities in Atlanta, Georgia; Chicago, Illinois; Sayville, New York; Norman, Oklahoma; and Portland, Oregon, where they will be available for loan and for use in training workshops. The National Clearinghouse for Alcohol and Drug Information (NCADI) in Rockville, Maryland also received five sets as well as master tapes from which duplicates can be made. NCADI, through its subcontractor Modern Talking Picture Service in St. Petersburg, Florida, will loan tapes at no charge on request.

In addition to direct distribution to school superintendents, in October and November, the videos were broadcast by satellite by PBS to the network's 327 affiliates as well as to anyone with a satellite receiving dish. Cable television's Learning Channel has informed the Department of plans to broadcast the videos aimed at senior high school students in February and March.

In terms of marketing efforts, we have carried stories about the videos in the Department's anti-drug newsletter The Challenge, which is sent to more than 300,000 educators, parents, and prevention education specialists. In addition, a letter from former Secretary William Bennett was sent to all principals and superintendents as was a brochure describing the programs.

Under the terms of the cooperative agreements that governed the program, the eight companies that produced the videos are free to sell them when their requirements for free distribution have been met. Each of these companies is actively promoting its video to educational markets as well as community groups. In addition, the National Audiovisual Center is offering the entire set of eight tapes and eight teacher's guides for the nominal cost of $190. The Center has sent 200,000 pieces of direct mail to community groups, YM/WCAs, PTAs, K-12 drug programs, libraries, and schools at the building level.

Although the cooperative agreements allow the companies that developed the videos to hold the copyright, the Department retains a royalty-free, non-exclusive, and irrevocable license to "reproduce, publish, or otherwise use, and to authorize others to use, the work for Federal Government purposes." Accordingly, we encourage interested parties to duplicate the tapes without fee for use in prevention education activities.

Our evidence about whether or not school districts are using the videotapes is anecdotal and based primarily on conversations with people who call the Department or correspondence. We have received more than 400 letters from teachers, principals, and superintendents who have seen the tapes. The response has been overwhelmingly favorable, and most say they have used the tapes in classes or they plan to.

LEADERSHIP ROLE OF DEPARTMENT OF EDUCATION

Senator SPECTER. Mr. Secretary, let me move on to a subject which you and I discussed when we met informally, and that is the role of the Department of Education in its leadership capacity, and as you put it, to make better use of the funds which are in existence.

I told you of my surprise to learn some many months ago that Philadelphia was a labor shortage area, and I was surprised because there are so many tens of thousands of people who are unemployed; significantly disadvantaged blacks, Hispanics.

We have been working to try to bridge that gap, both with public funding and corporate resources, because the corporations have a vital interest in training people to meet their labor needs.

I would like to develop with you a continuation of what has been begun there, and I had mentioned to you the efforts we've made to convene the colleges in the area to lend assistance to the Board of Education.

I'd like to, at this point, renew my invitation for you to come to Pennsylvania. It is very, very helpful when a cabinet officer finds the time to make a visit to the State. We had the Secretary of Veterans Affairs, Edward Derwinsky, travel in Pennsylvania, and it brings the status of the cabinet office. It brings initiatives and it can mobilize resources in a way which does more than just money.

Secretary CAVAZOS. I promise you, Senator, that as soon as we can get your schedule and mine together that we will follow up on that. As I had mentioned to you in an earlier meeting, I think that on-site visits, and looking first-hand at some of the issues and problems are most helpful.

POSTSECONDARY INSTITUTIONS AS EDUCATION IMPROVEMENT RESOURCE

I certainly applaud what is being done, bringing in the business sector to work with the educational system itself, as well as the col-

leges and universities. I remain convinced that we're not doing enough within—now, I'm wearing a little bit of my university hat here—that we're not really doing enough out there in those communities as universities should be doing.

We oftentimes find ourselves bemoaning the quality of students that we are receiving from the primary and secondary schools or the lack of education that's out there. We are going to have to be, as universities, more active in those areas. I think that's all good, and I will do whatever I can to urge that.

I have already talked to a number of national groups, both the business groups, as well as the educational groups, higher education groups, about the need to involve them.

Senator SPECTER. Well, there's a great deal the universities can do that will provide extra resources, without extra tax dollars. They receive many benefits from the Federal Government, and they are anxious to help if the leadership is provided, and if it is coordinated.

LITERACY AND VOCATIONAL TRAINING FOR THE INCARCERATED

Let me move now to one other subject, and that is training of those who are in jails. The educational vocational training issue is another subject that you and I discussed informally.

In a few moments, I'm going to depart for a hearing with the District of Columbia Subcommittee on the issue of job training in jails and the prison issue. Senator Harkin and I were demoted from our chairmanships on the District of Columbia Subcommittee. Senator Harkin had it most recently in the majority party.

Senator HARKIN. Use your own phrase.

Senator SPECTER. I was demoted. Senator Harkin wants me to use my own phrase. I think when Senator Harkin gets through with this committee he may agree with my characterization of what happened to him.

There are many issues involved in law enforcement in the District today, and Senator Harkin and Senator Specter did a lot of work on that subject in terms of prison and some programs in the jails for vocational training.

But, Mr. Secretary, I would suggest to you that it is no surprise when a functional illiterate, without a trade or a skill leaves jail, that he or she goes right back to a life of crime. We have tremendous problems of illiteracy throughout the country, generally, but especially in the jails.

We have a great ally in Mrs. Barbara Bush, who has a keen interest. I had introduced a bill many years ago, like a needle in a haystack, among the 3,000 Senate bills on literacy training, and I was surprised one day to find the then Vice-President's wife ask me about it. She had noted it, and made a trip to the District of Columbia jails.

I would like to work with you in trying to structure some greater Federal involvement on providing incentives for the States to provide literacy training and vocational training in the jails. Because that is a key factor for rehabilitation, where that is possible, and I believe it to be an indispensable prerequisite if we are to really throw away the key on career criminals.

I think what we have to do in the criminal justice system is provide realistic rehabilitation to addicts, youthful offenders, first offenders, and second offenders. But, when they become career criminals, then I think we have to impose life sentences. In a civilized society we can't do that, unless we have first given them a chance for realistic rehabilitation. I'd be interested in your thinking on that subject, generally.

Secretary CAVAZOS. Thank you very much, Senator Specter.

DIMENSION OF ILLITERACY PROBLEM

Let me, first of all, point out the magnitude of the problem that we face in the whole area of illiteracy. Then I'm going to talk a little about the prison situation, specifically, and some things that we could be doing, perhaps, for the education of prisoners.

As you are aware, there are approximately 17–21 million functional illiterates in the United States today. In addition to that, that number would be 50 million if you include those who are marginally illiterate. In other words, they're perhaps at the 4th grade level or down in terms of their reading comprehension and mathematics skills.

On top of that, that pool of illiterates grows by more than 1 million people per year. Now, this growth rate continues, and it is a serious problem for us in this country, and we must address it, and I have made that one of my highest priorities. Almost every time I'm involved in any discussion about education, I get back to the responsibility that we have to make sure that everyone is literate.

Now, the other side of that is why don't we prevent illiteracy by starting out early enough in early childhood, and then working all the way through the system itself, so that this doesn't happen.

FUNCTIONAL ILLITERACY AMONG THE INCARCERATED

Now, specifically, what I'm concerned about is those large numbers of people who end up in prison, who are functionally illiterate. I believe that I recall one of the numbers from my own native State of Texas, that about 90 percent of the prisoners in the Texas system were either dropouts from school, or were illiterate. It just focuses and emphasizes the point that you've already made here.

EDUCATIONAL PROGRAMS FOR THE INCARCERATED

Now we have several programs already in the Department designed to provide educational services to prisoners and others who are incarcerated. Under the Vocational Education Act, States must use 1 percent of their vocational education basic State grants to serve those individuals, to help them in terms of education.

Senator SPECTER. Is that enough?

Secretary CAVAZOS. Well, I believe that one of the proposals that we have for vocational education reauthorization is one in which the States must address the needs of several special groups, including the incarcerated.

Senator SPECTER. I don't think you ought to provide too many incentives to go to jail to be cured of illiteracy, but 1 percent may not be enough.

Secretary CAVAZOS. But it is going to vary from State to State. In terms of our proposal, the vocational educational funds could be targeted on a number of special populations, but the States make the decisions about where they are going to focus those dollars, and how much to target on each group that they would serve. The incarcerated will be one of the groups that could receive funds.

Senator SPECTER. Mr. Secretary, I think the States ought to have substantial discretion, but I do not think they ought to have total discretion. We have debated backward and forward philosophically, and my own view is that we have moved too far away from some basic Federal requirements. I would urge you to rethink that proposition.

Secretary CAVAZOS. One of the other areas where we have the opportunity to help these prisoners is the Adult Education Act, where the States must use at least 10 percent of their State program grants to provide educational services for those that are incarcerated.

In chapter 1, where we have the neglected and delinquent programs, this also provides compensatory education for juveniles who are in adult penal institutions, so we do have quite a few resources with which to help States serve the incarcerated.

I want, certainly, to go on the record, at this time, on my commitment to addressing this issue, and working with you, to try to help that out because you are so correct. They are there, they come back out, and they are back in right away, because they have absolutely no skills at all. I think it is very short sighted.

URBAN EDUCATION FOUNDATION

Senator SPECTER. Mr. Secretary, let me address one final subject with you very briefly, and this is a festering matter, which has been pending now for some 6 years on an amount which will not break the bank. It is a $1.6 million Federal obligation to the Urban Education Foundation of Pennsylvania, relating to a $5 million commitment made by President Reagan to two black universities, Lincoln and Cheney.

When I say a commitment made by President Reagan, I do not mean something he signed on a legislative package 2 feet thick. I mean on a celebrated meeting in the Oval Office with the presidents of those universities, and television cameras, and national fanfare, all for $5 million, which was the sum needed to get Provident Mutual Insurance Co. to donate a $35 million building. Pretty good leveraging for the Federal Government to put up $5 million and get $35 million.

Finally, $3.4 million was provided, and there was an unusual letter written by the Director of OMB to you, a "Dear Larry" letter, referring to the President's 1983 commitment to the Urban Education Foundation. I know you have analyzed it, and you have responded to me. Without going into all the details now, I would certainly hope that we can find some way to honor the President's personal commitment, which was made in 1983.

We are only—the paper and time on it is now only $1.5 million. We still have a little profit left, if we get the $1.6 million from the

Federal Government. But I would hope we could get this done, without a line-item appropriation in the fiscal year 1990 budget.

Secretary CAVAZOS. Yes, sir; we will do the very, very best that we can here. I, obviously, as I pointed out to you when I received the letter you are referring to——

Senator SPECTER. This is your inheritance, Mr. Secretary.

Secretary CAVAZOS. Yes, sir; I am aware of that, and I look at inheritances in the form of commitments by President Reagan as very compelling. I am very supportive of trying to meet that commitment.

I think that you are aware that the $3.4 million initial payment promised to the UEF did come from the Department of Education; that the Department of Education did meet that commitment. Now there is this other matter of the balance, which was to have come from another agency, still being outstanding.

I promise you that we will do the best that we can. We have very little flexibility for funding such unsolicited proposals, but we are looking at our fund for innovation in education. As you are aware, we no longer have the Secretary's discretionary fund under chapter 2.

Senator SPECTER. Did you consider turning down the appointment, in the absence of at least some discretionary funds?

Secretary CAVAZOS. I am sorry, would you repeat the question?

Senator SPECTER. My question was, did you consider turning down the appointment to be Secretary of Education, if they would not give you at least some discretionary funds?

Secretary CAVAZOS. No; I did not, sir.

Senator SPECTER. Here you have a $22, $23 billion budget, and no discretionary funds at all. That seems a little unfair, does it not?

Secretary CAVAZOS. I am sorry, Congress writes the laws, sir. [Laughter.]

I do have some discretionary funds in the fund for innovation in education.

Senator SPECTER. Well, thank you very much, Mr. Secretary. We will be working with you, and we will be pursuing a number of these subjects.

I am going to have to excuse myself at this point, to move on to the District of Columbia Subcommittee on some of these same subjects, and I will ask the chairman if he has any parting salutations for his old subcommittee?

Senator HARKIN. None that I want to say in public. [Laughter.]

STUDENT LOAN RISK SHARING

Senator HARKIN. Mr. Secretary, if I could return once again to the default business here.

Just one observation. If we look at all of the different proposals that are up there, it comes to about $239 million. If we implemented them all, we are looking at $239 million out of $2 billion in defaults. It is a good start, but I think it is maybe just that, just a start; and I am interested in what we can do to get that up beyond that.

IMPACT ON LENDER PARTICIPATION

Senator HARKIN. If we require lenders to assume 10 percent of the risk, will not many banks just withdraw from the program? Right now, they do not have any risk, and I am wondering about that.

Secretary CAVAZOS. You are very, very correct that at the present time, they have no risk at all. But I think, that certainly, with lenders sharing the risk, perhaps some of these other issues will be focused on, such as credit checks, and looking at cosigners, as possibilities. This may bring about a little more initiative on their part.

Right now, there is absolutely nothing out there that is going to prevent a person from defaulting. It is a blank check. They know that we are going to honor our commitment and life oftentimes involves risk, and risk sharing. And so, I think that this is a good step, very frankly. I believe it is a good step to try to do some risk sharing with the lenders.

However, I asked the same question as you about, well are you not afraid that we are going to be losing some people that would cosign. What I find is that the agencies and the lenders, from what I am told, do not anticipate that that is going to happen. Mr. Kolb, do you want to expand on that?

Senator HARKIN. The lenders anticipate starting at maybe 2 or 3 percent, rather than the whole 10 percent. Is that what you are anticipating the percentage to be?

Mr. KOLB. Well, we have made this proposal, Mr. Chairman. It is not the first time that we have done it. We have heard the debate, and you have alluded to one part of it. We do believe, though, that even with the amount of risk sharing that we would like to see introduced, that this will still be an extremely viable and profitable program for the lenders.

We have gone through a situation recently that you may have seen in the papers where we have enforced our due diligence regulations, and we stuck to our rules, and to a certain extent, I guess, people are now saying that the program is not as risk free as they thought. That Federal guarantee is out there, but we have made it clear it is conditional upon compliance with the due diligence regulations.

We think that the administrative action that Secretary Cavazos has taken in recent weeks has really had tremendous effects in terms of strengthening the integrity of the program. We have heard this from people in the guarantee agencies, and from across the country.

So we think that sharing the risk will strengthen the program. We do not think it is going to drive lenders out of it because, again, the incentives are still there. It is hedged against inflation with interest and special allowance payments.

Senator HARKIN. If the banks withdraw from the program, or if they just refuse to make any high-risk loans, the loans would get made anyway under the lender of last resort provision, which means that the guarantee agency has to find someone to make a loan to that student if the bank will not.

So then, how are you going to reduce the default rates if they have the lender of last resort provision?

Mr. KOLB. We think that if you introduce an element of risk, it also introduces an element of oversight, and all the participants in this program will be very careful about how they are lending. Not to whom they are lending, but how they are lending.

We think the issue here is access to quality postsecondary education. Access to junk is not access, but access to quality is what we are promoting here. Our concern, as the Secretary has pointed out, is really for the student. We want to make sure that the students are getting quality for the money that they are responsible for as a loan.

NATIONAL STUDENT LOAN DATA SYSTEM

Senator HARKIN. I want to focus your attention on that last section—requiring the use of the data system. The committee funded the National Student Loan Data System last year, contingent on the authorizing committee lifting the prohibition on its use. The authorizing committee has not done so to date, and the $5.6 million provided will lapse.

How is the Department enforcing the prohibition against students with defaulted loans receiving a second loan, and students receiving more loan guarantees than permitted, without such a data system?

Secretary CAVAZOS. What we need to do, and what we are committed to find, are cost effective means of reducing loan defaults. The key change needed is to allow the Department to require the use of a system for prescreening loan applications for loan limits and for people who have had previous defaults.

Now, within the Department, we have just completed a cost-benefit analysis, which confirms our position. The study suggests that a phased approach would enable us to realize the likely benefits of the system. The first phase would cost about $1.5 million, take about 1 year, and would involve up to four guarantee agencies on a volunteer basis.

The authorizing committees have not accepted this position yet. The Senate passed a bill in mid-March that would make changes in the law, but these changes would not make the system cost effective. However, the Senate staff has indicated that they might be willing to consider changes at a later point, and if the Department could develop an implementation plan it might get the support of the guarantee agencies, the lenders and the schools. I would like Mr. Kolb, perhaps, to elaborate a little more on that.

Mr. KOLB. Mr. Chairman, we agree with you. We have been requesting removal of this legislative prohibition now, I guess, for 2 years. I might add the Department has been up before the Congress for the last 8 years, making a series of default reduction proposals.

And, frankly, we very much appreciate the interest, not only of you and this subcommittee, but other members of the House and Senate as well. It is time that we focused on this. We have asked for removal of this prohibition so that we can, basically, verify compliance with eligibility rules. This will make our job a lot easier.

In the meantime, we still have to rely on statements from borrowers, and that, obviously, is not as reliable as the type of data system that we have been seeking.

Senator HARKIN. Why are the guarantee agencies objecting to this? Do you know?

Mr. KOLB. I do not know.

Senator HARKIN. Obviously, it is a system that can be used. When you have hit your credit card limit, they get ahold of you right away. They should know exactly when you hit your loan limit. I do not know why they would object to that.

Mr. KOLB. You might put that question to them. I guess they may have some reservation about a full-blown implementation. I think they would like to see how the pilot would work before they went out and used it globally across the country.

But we hope that they ultimately will come around to share the same view that we have.

ADMINISTRATIVE ACTIONS TO CURTAIL LOAN DEFAULTS

Senator HARKIN. Actually, on the administrative proposals, you have about $85 million there that could be implemented administratively. Can I assume that you are going to go right ahead and do that next year, since you do not need any legislative action on that?

Secretary CAVAZOS. That is my assumption, that we could. We do not need legislation to do those other two parts.

Senator HARKIN. I am just noting for the record, that those are not your proposals, but other proposals that administratively can be done. As far as having any problems with those suggestions——

Mr. KOLB. Just one point about the first one. I am not entirely sure that that would actually reduce default costs. What it would appear to do is actually shift 1991 revenues from collections into 1990, and just change the timing and not absolutely reduce the level of defaults.

Just a general point, it is helpful to have quantified some of this, but the part that is really hard to quantify, Mr. Harkin, is the impact of greater counseling on students.

Over the weekend I was reading a report that Governor Kean, from New Jersey, sent to the Department about steps that they are taking in that State to reduce defaults. Many of them are very similar to what we have proposed over the last 8 years, and you will see, I think, parallels in our overall default reduction package. But the positive thing was that Governor Kean is having results, and we think that over time, you will see similar results from the Department's initiatives.

ROLE OF POSTSECONDARY INSTITUTIONS IN REDUCING DEFAULTS

Senator HARKIN. I know that there is an argument that the schools make, that they should not be a part of this collection process, or be involved in reducing the default rate, because they do not get the benefits. But it seems to me that the schools do benefit.

Secretary CAVAZOS. Yes, sir.

Senator HARKIN. That is where the kids go. They borrow the money to go to school there. Schools are not reticent about recruit-

ing students, even low-income students. So it seems to me that we should have an initiative. I see nothing proposed here that really gets the schools involved in reducing the default rate by making them part of the guarantee.

I know the schools rebel at that, but we have got to reduce these default rates. Perhaps that is one way that we ought to look at it. Do you have any thoughts on that?

Secretary CAVAZOS. Well, I think—first off, I would say that we would probably have a very lively, heated discussion on the whole issue of trying to wrest that—you know——

Senator HARKIN. Well, I just saw a lot of heads in back of you just shaking——

Secretary CAVAZOS. I know they were all agreeing back there, saying, yes, we are going to sign up right now. [Laughter.]

LOAN COUNSELING BY POSTSECONDARY INSTITUTIONS

Secretary CAVAZOS. I think that certainly there are a number of things that would inspire the—I will put it that way—would inspire schools to be more diligent and accountable for defaults. I have already mentioned counseling. Now, if schools do not do a good job of loan counseling when they bring these students in—we need to ask the universities to do that, to tell them what these loans are about.

NATIONAL DEFENSE STUDENT LOANS

Senator HARKIN. Now, when I went to school, I got a loan. I came from a low-income family. I got what was then called a National Defense Student Loan.

Secretary CAVAZOS. National Defense Student Loans, I know what they are.

Senator HARKIN. In fact, this was the late 1950's, early 1960's, right? But that came through the school. I went to a window at the school, filled out my forms, and the school gave me the loan, and then I paid the loan back to the school later on. Iowa State.

Now that system is still going in this, all right?

Secretary CAVAZOS. Yes; they are still available.

Senator HARKIN. And as I—if I remember right, as you paid the loan back, the school gets to use that money, and it just keeps revolving.

Secretary CAVAZOS. That is right. It builds up.

HYPOTHETICAL: REPAID GSL'S REVERTING IN PART TO COLLEGES

Senator HARKIN. Is there some way, and again, I am just thinking out loud. Is there some way of involving the schools in the Guaranteed Student Loan program in some way where, if students graduate or leave the school, they are diligent in paying back their guaranteed student loans on time and in full. That somehow, some of that repaid loan benefits the school? Is there some way of implementing a system so that the school would benefit from that timely, in-full repayment? Conversely, if they do not, the school may have to eat some of that.

Secretary CAVAZOS. Well, I think already we are into the very discussion of certain levels before the trigger cut-off comes into effect, thereby closing loan participation for an institution. Of course, those levels are very, very high. And the bulk of schools are at the lower level.

But I do not know that we have looked at it that way. Have we gotten to that kind of a discussion with the——

STUDENT LOAN REVOLVING FUND

Mr. KOLB. I think what you are contemplating is really a revolving fund, where basically each school would get a certain amount of money, and could make it available in loans, and its pot of money would decrease if its students did not pay it back, which would mean the school would have an incentive to track its students.

There are a number of approaches to this. But to focus on something you said at the outset, some of the schools have complained that they should not be held responsible. Well, the point that we have been trying to make is that all of the players in this game, the Department, the lenders, the guarantee agencies, the schools, and the students, should be held responsible.

But focusing specifically on the schools, a high default rate, in our judgment, is evidence of poor management at the school. We believe there are things that schools can do, such as counseling and exit interviews—letting students know that they are actually assuming an obligation to repay—that will help reduce defaults.

I am not sure if this is an apt analogy, but I will give it to you, Senator, for what it is worth. You could make the same argument that teachers are not responsible for the results of their students because the students take the tests. The teachers do not take the tests, the students do. But it seems to me we do know what the fruits of bad teaching are, or poor teaching. We do know that if you try and improve what a teacher does, you will see positive results in terms of the students, when the students take the test. I think that is an apt analogy to what we are talking about here.

Schools can play a role. They are beneficiaries. They do get the Federal money. It goes into faculty salaries, administrative expenses, as it should, because it is expanding access. But to say on the one hand that the schools cannot do anything, is kind of like saying, well, teachers do not have an impact on their students. I think we would all agree that they do.

Secretary CAVAZOS. I might add, if I may, one more point, Mr. Chairman.

ROLE OF POSTSECONDARY INSTITUTIONS IN REDUCING DEFAULTS

The universities, and of course, the schools, particularly coming back to the universities and colleges, generally have to prepare whole packages of student aid, and they do include scholarships, in some cases, as well as the loans that you have been referring to, and the Pell Grant, as well as the guaranteed student loan.

In essence, in preparing that aid package, that is where we can really emphasize to the universities the need to repay these loans,

and to put it together, and not just look at it as guaranteed student loans, because it takes more than guaranteed student loans.

It is a variety of activities, and in essence, if the schools do not track those students, if they do not know where they are going, they could lose out on their own loan participation. Loans need to be repaid, because many schools have loan portfolios that they have developed over the years.

I think that the main thing is we have to get the universities, the colleges, the proprietary schools to recognize that they have a piece of the responsibility. We are not going to let them off the hook in that regard, and if some of those people out there can give us some ideas and proposals about how it could be done, I would be glad to try to review them, and then come back to this committee with those ideas.

Let me give it a little more thought. I might put down some ideas in writing, if I may, Mr. Chairman.

Senator HARKIN. I would appreciate that very much and I hope that any of you in the audience today hearing that challenge would come forward if you have some ideas.

Secretary CAVAZOS. You know, one other point, if I may, Senator, this is not just the Department of Education's problem, or the Congress' problem. It is everyone's problem, and you know we have to get everyone working on this thing, because there are youngsters, I am sure, that cannot go to school, because we do not have sufficient loan funds or Pell Grants, or the other kinds of student aid.

The financing of education is really not just the Federal responsibility, it is everyone's responsibility. I really will challenge all the universities, colleges, and proprietary schools to give us some ideas of how we can build some accountability into this system that will ultimately benefit the student. Not penalize the student, but benefit the student.

Senator HARKIN. I look forward to working with you on that. Again, I repeat for emphasis, we have to do whatever we can to reduce that default rate.

Secretary CAVAZOS. I agree with you 100 percent.

Senator HARKIN. We may have to get these schools involved, even though they do not want to be.

IRS TAX REFUND OFFSET PROGRAM

Now, the other thing I wanted to talk about was requiring participation in the IRS tax refund offset program. Right now this program is voluntary. But, what you are suggesting is to require that all guarantee agencies provide the IRS each year with a list of students who have defaulted on loans, so that an offset could be made against their tax refund.

STATES PARTICIPATING IN THE IRS OFFSET PROGRAM

I guess what surprised me was when I found out that all States, except Alabama, Florida, Idaho, Louisiana, Missouri, Michigan, New Mexico, Puerto Rico, and American Samoa, participate voluntarily in this program. What I want to know is why those States do not participate, and I would like to know what your view is, Mr.

Secretary, on requiring all States to participate in the IRS tax refund program?

Mr. KOLB. Mr. Chairman, I will give you a preliminary view. Do not hold us to it. But I think we basically would tell you that we do not think it is necessary, because at this point, our information shows that all guarantee agencies are now cooperating in the assignment of loans to the Department for purposes of the IRS tax refund offset. So we do not, based on that information, think there would be any new savings.

As I indicated earlier, the effect of this program has been very positive in terms of the collections that we have made over the last several years. But we will certainly work with you in terms of evaluating how this might work, to hold all States accountable. But we do now understand that all guarantee agencies are cooperating, and we think that will handle the matter.

Secretary CAVAZOS. Let me point out the magnitude of that kind of thing, that it is really a very, very positive program. The IRS offsets on these defaults, the offsets to Federal tax refunds, resulted in approximately $440 million in collections from fiscal years 1986 through 1988 on approximately 827,000 accounts. The Department expects to collect an additional $172 million in fiscal year 1989. And, you know, these things really, I think, are an excellent way of doing it. We have already just since September, collected almost $32 million—just since I came on board. So it is a vital way of doing it.

Senator HARKIN. Well again, I agree with you, but I would have to take issue with Mr. Kolb's statement that all agencies are participating. My counsel tells me that it was only 2 weeks ago that your Department gave us this list of States that are not participating.

Mr. KOLB. We will certainly be delighted to work with your staff and resolve what may be a discrepancy, but my information is that the guarantee agency participation is voluntary. You are correct on that. But my understanding is that all guarantee agencies are participating. We will certainly resolve this at the staff level, if you would like, sir.

Senator HARKIN. Find out what that is all about.

PRO RATA REFUND TO LENDERS OF TUITION OF DROPOUTS

One other thing I wanted to cover with you is, currently, if a student gets a loan, pays it to the school, and then drops out in a matter of days, or weeks, the school keeps all or most of the money paid by the student.

Why should we not require the school to refund directly to the bank a pro rata share of this payment, thereby reducing the student's indebtedness? That was on one of these charts. Oh, yes, requiring pro rata refunds to lenders on behalf of dropouts. The third one down there. Why should we not require the school to do that?

Mr. KOLB. This issue, Mr. Chairman, was part of the notice of proposed rulemaking, I believe, that was issued last September, and generated a substantial amount of comment.

One of the concerns raised had to do with the impact on the school's administrative costs. But just to cut through all the argu-

ments, I think we would basically agree with this approach, but we might want to consider targeting it on high-default schools.

You have probably heard that the American Council on Education and other organizations have been debating this and other approaches. We think it would have a positive effect, but again, you need to keep in mind, I think, the potential for some downside effects, just in terms of the sunk costs that some institutions would already have.

I think maybe the best way to approach this would be to target this requirement on schools that have high default rates, rather than just do it across the board.

Secretary CAVAZOS. I agree with you, Senator, that we must find ways of turning these things around. And yet, through the whole process, we want to be supportive of the educational institutions so that they can deliver their educational services. I think that if we target on the schools that get beyond a certain level of defaults—oftentimes these are institutions that are very marginal where they get into these kinds of issues.

We have records of people starting school, and being in school for 1 week, and yet the school keeps the entire amount, and obviously, we are not supportive of that. When we see that pattern, then we are going to have to step in and do something about it. Again, this kind of falls back into the area, not unlike what we talked about in the prior discussion, that this should not just be the Department, or the Congress making decisions about this problem. We need to urge the institutions to recognize that here is a potential problem.

If this thing continues to go the way it has been going—with tremendous defaults—we are going to have to seek other mechanisms to address the problem, and that might be one of them—some pro rata system that we would have to work out.

As you know, we received a lot of comment on that. I do not know that anybody ruled in favor of it, but I would expect that if they did, then it would be rather unique.

But I do want again to put the educational community on notice——

Senator HARKIN. I think, sometimes the most valuable suggestions are those that no one agrees with.

DEFAULT RATES BY EDUCATIONAL SECTOR

Speaking of high default rates, this leads me to my last question I wanted to discuss with you on default rates.

Default rates differ greatly by sector: Some 36 percent for proprietary schools, 21 percent for 2-year public schools, 17 percent for 2-year private schools, 9 percent for 4-year public schools, and 8 percent for 4-year private schools. The highest is obviously the proprietary schools.

PROPRIETARY SCHOOLS DEFAULT RATES

Some proprietary schools have outrageous 50-percent plus default rates. I point out, that many proprietary schools operate with default rates much, much less than 35 percent. But others are accepting, and even I think, purposefully recruiting students who are not qualified to take the selected course of instruction.

That is not fair to those students; it is not fair to the Government; it is not fair to the taxpayers; it is not fair to those good proprietary schools that are doing a good job out there. There are a lot of them out there that are doing a good job.

I know you must agree with me that these abusive practices have to be stopped. Somehow this 36-percent default rate for proprietary schools has just got to cease.

Again, I am just asking if you have any thoughts on that. We are going to be discussing this more specifically at our hearing on Friday. But, I just wondered if you had any comments on this as a general view?

STUDENT LOAN DEFAULTS AT PROPRIETARY SCHOOLS

Secretary CAVAZOS. Well, I think that that again is part of the symptom we see here with an accumulation of $1.8 billion in defaults in the current year. And what we have to do—in fact, about 2 months ago, I gave a major talk to the National Association of Proprietary Schools. It is a very, very fine organization. Some good schools are in that group. Then, there are also some problem schools. I pointed out to them that they were going to have to clean up their act. I could not hold everybody there responsible for that thing, but recognize that this high abuse occurs oftentimes in these proprietary schools.

We are trying to close them down legally, when we find them, where they are abusing the system. As you recognize, it is a long, difficult process. We close one down, and they open up under another name somewhere else down the street. So it is a continuing problem. You have had all kinds of proposals, and people say you should not include the proprietary schools. Well, I am not at that stage. I really believe that they do a good job, in many cases.

Senator HARKIN. Again, maybe here is where your suggestion on this pro rata thing may be useful—of targeting it on schools with high default rates. If the school has a course of instruction less than 2 years, for example, where we find the highest default rates, then they have to give back the higher pro rata share.

Secretary CAVAZOS. We have that mechanism. The other thing is requiring these schools—well, really all schools—to constantly monitor the progress of the student. For example, we require a high school diploma or an equivalent under that part. Then, there is that other piece—what do they call that—ability to benefit. That got built into it, and sure everybody is going to have the ability to benefit. If we cannot close those things off, we need to look at that possibility.

The other one, and I mentioned this one to the National Organization of Proprietary Schools, was the whole accreditation process. These places get accredited. Well, I am saying you better look at your accrediting process, if schools with two outlets, and small motors, and other kinds of—whatever it happens to be, can be accredited. So I think that you will see from us, Mr. Chairman, a variety of these strategies under which we are going to start putting pressure on them. Because as you point out, with a 36-percent default rate, and 50 to 60 percent in some of these institutions, we just cannot go on as we have in the past. We have got to stop it.

Senator HARKIN. I am glad to hear you say that, and I just want you to know that I, personally, will work with you in any way possible to develop an appropriate response in the appropriations process or in the authorization process, if that is necessary, to this situation.

Secretary CAVAZOS. Let us jot down some ideas, and get them to you in writing, Mr. Chairman, about this very specific issue.

Senator HARKIN. Again, not to belabor this, but we found other areas, like in HHS, where we have an audit problem in a good audit program. I need more information on what kind of audit program you have in the Department of Education.

I still do not believe we have reached a point of diminishing returns, in other words, of recouping those dollars, if we have good auditors out there. So if you have a proposal for more auditors and staff, I would like to know about it, and we will see what we can do to get the funds in there for that kind of an audit program.

There are another two or three important issues I want to bring up.

Mr. Secretary, as you know, I grew up in rural America. I think you did, too, if I am not mistaken?

Secretary CAVAZOS. Yes; on a ranch.

PROPOSED TERMINATION OF RURAL EDUCATION PROGRAMS

Senator HARKIN. This year's budget for the Education Department terminates far fewer programs than have ever been terminated in the past 8 years. Only 24 programs are slated for termination in this new budget. Yet, the only two programs that address rural education are slated for termination. That is the Rural Educational Opportunities, and the Rural Education Research programs.

Why were these particular programs singled out for termination this year, the only two that really address rural education? I've got to tell you, I find that very upsetting. They are small programs. What are they? They are—one is, $3.9 million, the other one is $5.1 million.

Secretary CAVAZOS. We made some decisions about shifting funds into some areas that we felt were a priority. And oftentimes, these programs proposed for termination are duplicative of other activities we fund, and can be accounted for in that manner. These terminations were proposed for this reason.

The Rural Education Opportunities program duplicates work of the chapter 1 Technical Assistance Centers, and the other——

Mr. KOLB. I am sorry, Mr. Chairman, what was the other?

Secretary CAVAZOS. What was the other one, sir?

Senator HARKIN. Rural Educational Opportunities, it's a technical assistance program for chapter 1 programs in rural areas; and Rural Educational Research, which is a set-aside for regional educational laboratories to perform research and provide assistance for rural school districts.

Secretary CAVAZOS. What we were trying to do, was to target these shifted funds into areas that we felt would be much broader. I agree with you that we must support the nonurban areas, and they will continue to receive services under existing programs,

from the regular chapter 1 Technical Assistance Centers and the Regional Education Laboratories.

We estimate that in 1988, 35 percent of all of the Department's education funds allotted to the State and local governments benefited students in nonurban areas. Obviously, many of these funds were chapter 1, and the block grant funds in chapter 2.

So that is what I am getting at here—that a lot of these, not a lot, but some of these programs are duplicative, and we are trying to target the funding a little bit more. Perhaps, Charlie you want to——

RURAL EDUCATION RESEARCH PROGRAM

Senator HARKIN. I just wanted to point out that educational research is getting the largest percentage increase of your budget, of any part of the budget. And yet, you are proposing to terminate the one set-aside, the Rural Educational Research program, that we had here for educational research. I would ask you to go back and take a look at that. If you have some other thoughts on that, or some other areas that you think you are putting the money in that would cover that, just let us know.

DRUG EDUCATION NEEDS IN RURAL AREAS

Well, I know that Senator Specter covered the drug situation fairly thoroughly, and I do not know that I need to belabor that point. But given President Bush's remarks in Pennsylvania on the increasing amounts of drugs in rural areas, I was surprised to see that, again, the only new initiatives proposed by President Bush for drug education is $25 million for urban emergency grants.

Again, I do not want to belabor this point so much. I think there is a problem also in rural areas, but I am willing to put the money where the need is the greatest, obviously, and that is definitely in drug education in urban areas.

EARLY FOCUS ON DRUG EDUCATION REQUIRED

I want to talk about something a little bit different than that. I saw former Secretary Bennett on television this morning, and also read about him in Time magazine last week. He made a statement that I partially agree with, but I think it changes the focus too much. He said that "supply creates its own demand." Well, maybe yes, a little bit. But I still think that the one area that we are inadequate in, where we really have not addressed the drug problem, is the demand side.

This means getting the kids at the earliest stages of life, through repetitious teaching. How did we learn to write, for example? How did we learn to read? How did we learn to add and subtract and multiply? We learned it through constant repetition in the classroom, and it is something you never forget, once you learn it in preschool, kindergarten, first, primary, second, and third grades.

And yet, when I look at the schools out there, there is really nothing being done at those levels in drug education. They are focusing in high school, on juniors and seniors in high school. By that time, it is too late, in many cases. Those kids have grown up

watching people take drugs, watching their parents take drugs in the form of alcohol, for example, which is still the largest, single drug problem we have in America today, and no one even talks about it. I have not even heard Bennett talking about it. Alcohol is the largest, single drug problem we have in America today.

Kids grow up, they see their parents escape by taking alcohol. They say, why can they not escape by taking coke, or crack or something else.

It seems to me, that me and you, Mr. Secretary, as leaders in this area, have got to start some initiatives and take the leadership in cutting down the demand side. And that means getting down into those grade schools.

EARLY SCHOOL YEARS DRUG CURRICULUM NEEDED

Now, I know that that is State and local domain. But there have to be, there just have to be some ways in which the Federal Government, through the Department of Education, can provide incentive grants, demonstration grants, technical assistance, whatever it might take to encourage local school boards, local schools to establish at the kindergarten level, programs of drug education for kids. I do not mean just a one-shot thing that they support, where they have a drug-awareness week in April or March, or something like that. Big deal.

I mean something that starts in September and goes through May, where maybe once a week, they have a course or something on drug education. Where it becomes repetitious; where it becomes just a part of their learning nature, so that they understand what drugs are, what they do to you, and why it is bad to take them.

Again, I just threw that out to you as a challenge, and I am hopeful that you, Mr. Secretary, will take that up. Do not just leave it to Mr. Bennett. He is on one thing. He has gone after, I think, more of the supply side. You can go after the demand side.

PARENTS' ROLE IN DRUG EDUCATION

Secretary CAVAZOS. Well, thank you very, very much. I welcome your comments, because they are exactly the comments that I also have made to others about the need to address this issue from the school side. It is a complex issue, obviously. There are the problems of family breakups, and the other kinds of things, and yet so vital to this issue is the family, the parents' role in giving guidance. And you know, all of that gets mixed into this very difficult equation. But that is not an excuse. That is not to say that we should not be doing exactly the kind of thing that you have been talking about.

EDUCATION'S ROLE IN STEMMING DRUG ABUSE

I made the point earlier in my testimony today that I remain convinced, that if we are to stem this issue, it is going to be done through education. I mean, we can do all kinds of preventive things out there, and obviously I leave that to the experts. But I really believe that it is not unlike some of the other programs that we have had in the past, whether with alcohol or other kinds of things, you need to start the education early on. I mean very early

on, as you have pointed out, and have it a normal part of the year-round curriculum, not an exceptional part. Let us raise a generation of young people who really, really understand the perils of drugs and the horror of the things that it brings.

Now, you say that is all fine and good, but then remind me that 28 percent of our kids drop out of school. Never complete that education that we are talking about right now. That we have millions of illiterates in the system. What I am saying does not just apply to the issue of drugs. It is the issue of the entire milieu of education itself. First, to keep these kids in school, so that they do complete it. To educate them totally. To have them address those issues that we think are vital, that everyone should understand, including the fact that you must stay away from drugs, the horrors of that, and alcohol abuse.

We will continue to seek ways, exactly as you point out; through demonstration grants and urging. We cannot impose a curriculum, you know, that obviously is a local kind of issue. But as we pointed out, we have sent out over 2 million of those little booklets on "Schools Without Drugs." I think that has had a wider distribution than any other thing that has ever been published by the Federal Government within modern time.

So I will continue to work with you to try to find some solutions to the kinds of things that you are talking about. It is going to take awhile.

DRUG EDUCATION PROGRAMS

Senator HARKIN. Again, if you would like to send to me a paper on what requests you have in this budget for those kinds of targeted programs, I would be interested. Demonstration programs, technical assistance, coordination between the schools, and programs funded under the Alcohol, Drug Abuse, and Mental Health Administration. Again, I would like to know how you are you zeroing in on those programs?

Secretary CAVAZOS. We will submit that. Do you have some comments you want to——

Senator HARKIN. Do you have some of these kinds of programs? I would like to know if you do not.

Mr. KOLB. The budget for our drug activities shows an increase. You will recall that last year there was a significant increase of approximately 50 percent. It was not anywhere near that this year. But in terms of what we are doing in the area of discretionary drug education activities, I mean, aside from hoping to work with you to get President Bush's urban emergency grants through, we have grant competitions for drug education and prevention programs that operate for students in grades from kindergarten through the eighth grade. We have a network of drug-free colleges and universities. It is a challenge campaign for drug-free schools, which I think now has over 7,000 schools participating, and it is growing every week. We have a drug-free schools and communities recognition program, and as the Secretary mentioned, the new "Schools Without Drugs" book.

DRUG EDUCATION PROGRAM EVALUATION

We are also going to be evaluating the money that has been spent over the last 2 years. As you know, this is the second year for the drug program. We want to make sure that the States and LEA's and governors' offices are getting the money on time, which has been a problem—not our problem, but the State's problem—and whether they actually are putting the program to use.

We want to work with whatever governmental unit we can to help them get the money out.

IOWA DRUG ABUSE PREVENTION CENTERS

Senator HARKIN. Well, let me just suggest one idea. In Iowa, we have 26 drug abuse prevention centers across the State. They are funded from the State, and from the Federal Alcohol, Drug Abuse, and Mental Health Administration. In many rural parts of Iowa, these prevention centers are the major source of technical assistance and support for the schools. They have worked with school districts for several years. It is well received by the school districts. I would ask your attention to see what you can do to require some closer coordination between schools and the programs funded by the Alcohol, Drug Abuse, and Mental Health Administration.

ALCOHOL—BIGGEST SUBSTANCE ABUSE PROBLEM

I just would add, again, Mr. Secretary, that surveys done in my own State of Iowa, as well as some done nationwide, indicate that, especially for our students in junior high school and high school, alcohol remains the biggest substance abuse problem today.

Everybody focuses on crack and all that, but alcohol is still the biggest. I am hopeful, again, that your Department, as you move ahead in this area, will pay sufficient attention to the dangers of alcohol, just as it does on the other lethal drugs.

Secretary CAVAZOS. All right sir, we will do that.

POSTSECONDARY INSTITUTION ASIAN-AMERICAN ADMISSIONS QUOTAS

Senator HARKIN. Finally, Mr. Secretary, I had my staff, I hope, talk to you, before you came up here, on one issue that I wanted to raise dealing with Asian-Americans and admissions quotas.

I am deeply concerned with recent reports that the civil rights of Asian-Americans may be denied through the imposition of admissions quotas by universities across the country.

Our Nation has lived through a number of ugly periods during which universities have sought to limit the enrollments of certain ethnic groups in the name of tradition, or maintaining the appropriate mix of students. The bottom line is that students are being denied admission, based solely on their race and their national origin, and not on their capabilities.

Mr. Secretary, most recently you served as the president of a major university. Do you believe there is a problem with universities imposing maximum quotas for Asian students? Is there such a problem?

OCR INVESTIGATION OF ADMISSIONS QUOTA SYSTEMS

Secretary CAVAZOS. Well, Mr. Chairman, on the matter of Asian-American discrimination, I can say that our Office for Civil Rights has been examining these charges, and they have been looking at it very, very closely. That kind of discrimination, as far as I am concerned, is reprehensible, and it is illegal. We will investigate all complaints in these areas, and follow up on them.

Now, when we receive a complaint, a formal complaint, we follow up on it, but we also do compliance reviews, even though there has been no formal discrimination complaint. And, indeed, because of press reports, and information from interest groups and surveys, and other sources, the Office for Civil Rights will undertake several compliance reviews this year just to look at that very issue.

Therefore, what I am saying is that we do not have to wait for a formal complaint. We can get right out there and initiate a compliance review at any time. The criteria for determining when to undertake a review are going to vary. But we have to look at statistics; we have to look at press reports, the interest group inquiries that we receive, and other information.

Now, as a former college president, I know that it is important to have a diverse student body, and I certainly favor greater opportunity for minority students. But discrimination against students, merely because they are Asian-American, is illegal, and unacceptable to me, personally. Asian-American, black, Hispanic, handicapped, any group, I will not tolerate it, and when I see it, I promise you, Mr. Chairman, I will come right down on it.

Senator HARKIN. Good for you, Mr. Secretary. I appreciate that very much.

I would like to direct your attention to an article in the Yale Law Journal from January, addressing the issue of universities imposing quotas in admitting Asian students. It mentioned one particular university, Brown University. I do not need to go into that. But, again, I would like to ask you and some of your staff to look at that Yale Law Journal.

I have been hearing more and more reports from around the country on quotas for Asian students. I was told that your Office for Civil Rights did receive a formal complaint of a violation of title VI to the Civil Rights Act with respect to an Asian-American applicant at Berkeley. But the complainant negotiated an agreement with the university, and withdrew their complaint.

I am also informed that the California State Auditor General issued a report raising questions about the admission policies at Berkeley for Asian students.

Mr. Secretary, I would like to ask if your Department would be interested in initiating a compliance review to check up on this, to see if anything is happening at Berkeley, or if you have already taken steps to do that?

Mr. KOLB. We welcome your observations, Mr. Harkin, and if we can pursue this further, at the staff level, and with the involvement of the Office for Civil Rights, I think that would be most appropriate at this time.

Senator HARKIN. I appreciate it, and Mr. Secretary, I appreciate your strong statement in that regard. As you stated, we just cannot tolerate any kind of discrimination anywhere, at any time.

Secretary CAVAZOS. I promise you that, sir.

Senator HARKIN. Thank you, Mr. Secretary.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Well, Mr. Secretary, you have been more than kind with your time and your responsiveness. We have some other questions that we will submit in writing.

Secretary CAVAZOS. Please do, sir, and we will get them back to you right away.

Senator HARKIN. Regarding some of this budget—there seems to be a discontinuity in our views of the budget numbers, and also the default rates. We need to see how we can move ahead on that.

Again, thank you very much for your testimony, and your staff's comments, and for your cooperation with our staff on these matters. We look forward to working with you, Mr. Secretary.

Secretary CAVAZOS. And I with you, Mr. Chairman. Thank you.

Senator HARKIN. Thank you very much.

We will take a short recess of about 3 minutes, before we call our next panel.

[A brief recess was taken.]

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DOLLAR INCREASES YIELD NO INCREASES IN BENEFITS

Question: Mr. Secretary, you have stated that you are very proud that 85 percent of the President's budget request for education is targeted on the needs of the disadvantaged. Yet when you look at your budget request for the two largest programs serving the disadvantaged, Chapter 1 and Pell Grants, you discover that your inflation increases would result in no enhanced benefits to any students. Your own budget materials for Chapter 1 show that, at best, we will serve as many students in 1990 as we are serving in 1989. By asking us to freeze the maximum Pell Grant at the current level, we will provide no additional support to the neediest students trying to attend college, even as tuitions continue to rise. Given the growing numbers of our Nation's students that are disadvantaged, do you really consider these requests adequate to meet the need?

Answer: Given the fiscal constraints that we face, I believe that the 1990 budget request for Chapter 1 Basic Grants is not only adequate but quite generous. Our request for Chapter 1 Grants to Local Educational Agencies would increase funding for that program by $46.8 million. These funds would be allocated to school districts that apply and have at least 10 eligible children. In addition, consistent with our policy of focusing resources on areas with the greatest need, we proposed a $90 million, or 52 percent, increase for Concentration Grants. This request for Chapter 1 Basic Grants will maintain our continuing commitment to help States and localities meet the special educational needs of disadvantaged children.

The Department's $4.59 billion fiscal year 1990 amended budget request for the Pell Grant program is a $108 million increase over the 1989 appropriation. This request demonstrates a firm commitment to maintaining grant support for the neediest postsecondary students nationwide. Even though the maximum award would not change in academic year 1990-91, the number of Pell Grant recipients would increase by approximately 43,000 to an estimated total of 3,105,000 students. About 131,000 of these recipients would be less-than-half-time students supported for the first time in 1989 and 1990. In addition, the average student award would grow from $1,465 to $1,473. Funds for Work-Study, Supplemental Grants, Guaranteed Student Loans, and Income Contingent Loans round out the student aid budget. Assistance to college students supported by all Deparment student aid programs at the amended budget levels would total $19.1 billion in 1990, an increase of $800 million over the $18.3 billion available in 1989.

PRESIDENTIAL MERIT SCHOOLS

Question: When the Education Department provides grants to schools or colleges, we always expect that certain services will be provided with the money, whether they are Chapter 1 services or services to handicapped children. However, you have said that schools that receive funds under your "Merit Schools" proposal could

use their reward for any educational purpose of their own choosing. How would this policy to provide grants for "any educational purpose" enhance accountability in our educational system as you have advocated?

Answer: We believe that the proposed Presidential Merit Schools program will provide a powerful incentive for schools to improve their educational performance. Accountability should work both ways. Just as a school might expect adverse consequences for poor performance (e.g., State takeover, parents choosing a different school for their children) we believe schools should be encouraged to increase their accountability by developing programs that stem dropout rates or increase student achievement. The cash award that would come with selection as a Presidential Merit School is intended not so much to produce accountability as to reward it. We are confident, and the proposed legislation anticipates, that a school that wins one of these awards can be counted on to use its award for activities that will make education even better for its students.

Question: What can you tell us about how "Merit Schools" will be selected?

Answer: Within each State, Presidential Merit Schools would be selected by a special State Review Panel using State and Federal criteria. These criteria would focus on improvement in students' educational performance, with particular emphasis on mastery of reading, writing, and mathematical skills; the degree to which the school demonstrates progress in achieving or maintaining a safe environment, including reduction or elimination of problems related to drug and alcohol use; and progress in reducing the number of students who drop out of school or encouraging those who have dropped out to reenter school and complete their schooling. Panels could also take into consideration the composition of a school's student body and give special consideration to schools enrolling substantial numbers or proportions of children from low-income families.

Question: My state of Iowa has the highest SAT scores in the entire United States. Should I expect Iowa to receive a good amount of money from the "Merit Schools" program?

Answer: We estimate that, in the first year of the program, Iowa would receive about $2.6 million. But the amount of Iowa's grant would have nothing to do with the SAT scores of Iowan students. The funds for Presidential Merit Schools would be allocated to States by a formula based on school-aged population and State shares of funding under the Chapter 1 Basic Grant program.

Question: Are the funds likely to be limited to schools in urban areas, schools with large disadvantaged populations, or schools with high test scores?

Answer: While the Department would set some broad criteria related to basic skills achievement, dropout rates, and creation of a safe environment, each State would add its own criteria to the list. Since these criteria would vary from State to State, it is not possible to predict the types of schools that will receive the funds. In selecting Merit Schools, however, States would be

authorized to give special consideration to schools enrolling substantial numbers or proportions of children from low-income families.

TERMINATION OF RURAL EDUCATION PROGRAMS

Question: Mr. Secretary, this year's budget for the Education Department terminates far fewer programs than have been proposed by the Administration in the past. Only about 24 programs are slated for termination. Even so, you are proposing to terminate the only two programs (Rural Educational Opportunities and Rural Educational Research) that specifically address the problems of rural education. Mr. Secretary, you grew up in rural America. Are you of the opinion that rural school districts do not face any unique educational problems?

Answer: I believe that rural schools face many of the same problems faced by urban and suburban schools, but that these problems often prove more formidable and severe in rural areas. For example, recruiting and retaining teachers and training administrators are issues of great concern to all schools, but they are of even greater concern to rural schools. Our Office of Educational Research and Improvement has submitted to Congress an interim report on the first year of operation of the rural initiative undertaken through the regional education laboratories. That report speaks to problems faced by rural education.

Question: Why were these particular programs singled out for termination while so many were spared in comparison to last year?

Answer: The decision not to seek funding for these two programs was not based on a determination that there are no unique problems to be addressed by rural schools. We proposed termination of funding because the programs duplicate others, which we do plan to continue. The regional education laboratories can and should provide assistance to rural schools through the regular laboratory program. The labs are charged with addressing the education needs in their regions. Doing that should include addressing the needs of rural schools. Separate funds are not earmarked for the labs to address the substantial needs of urban schools, and we see no reason to earmark funds for rural school assistance. In fact, such an earmark encourages excluding rural schools from the basic program and responsibility of the labs. Likewise, the new Rural Educational Opportunities program duplicates the existing Chapter 1 Technical Assistance Centers program.

RURAL EDUCATION INITIATIVE

Question: Why, if educational research is getting the largest percentage increase of any part of your budget, are you proposing to terminate the set-aside for research and technical assistance for rural school districts?

Answer: The rural education initiative was originally intended to be a short term program, was implemented without authorizing legislation, and has been funded for the past three fiscal years as a set-aside within the research and statistics appropriation, but without the addition of sufficient new funds to cover its cost. In each of the past two years, it has been impossible for OERI to fully

honor contracts and grants to other organizations, which had previously been awarded in good faith, because the set-aside had to be satisfied within what was essentially level funding for research activities.

Funds for the program have never been requested by the Department, because we have always believed that the needs of rural schools should be addressed by the regular regional education laboratory program. This remains true for 1990. In addition, after three years, the special set-aside program will have operated for sufficient time to accomplish the original objective. The products of that effort can be incorporated into the regular program for 1990.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

RURAL AND CHAPTER 1 TECHNICAL ASSISTANCE CENTERS

Question: Mr. Secretary, last year Chairman Harkin sponsored legislation to create 10 Rural Technical Assistance Centers. The legislation passed and this committee included $4 million in the fiscal year 1989 budget to start the program. As I understand it, your department is about to select the 10 Centers. For that reason, I was surprised to read in your budget justification book that you have decided to phase out these Centers. To quote from your book, "...the services authorized under this program are provided by the Chapter 1 Technical Assistance Centers." Essentially, you are seeking level funding for the Chapter 1 Centers and yet you are asking them to take on another job.

Chapter 1 Centers have a specific purpose. They help State and local educational agencies gather and distribute information about successful Chapter 1 projects and strategies. The Rural Technical Assistance Centers have a different focus. They will help to improve the quality of education for children in rural areas. This kind of help is to be geared to addressing problems of declining enrollments and ways to get small districts together to help each other.

How can Chapter 1 Centers take on this new job with no extra funds?

Answer: Our 1990 request of $12 million for Chapter 1 Evaluation and Technical Assistance includes about $5,000,000 for the Technical Assistance Centers (TACs). This is roughly a $425,000 increase over the amount provided in 1989. This request would provide substantial resources for Chapter 1 technical assistance to help rural and other schools address the problems of providing services to the educationally disadvantaged.

Section 1436(d) of the Hawkins-Stafford Act charges the Chapter 1 TACs with focusing their services on "program improvement, parental involvement, instruction, testing and evaluation, and curriculum." The requirements for evaluation and program improvement in Chapter 1 pose significant challenges for all SEAs and LEAs, regardless of whether they are rural or non-rural.

To be effective, technical assistance must be carefully targeted to the needs of its recipients. Assistance in program improvement must be tailored to a specific site based on its history and problems. The TACs have provided such services effectively. However, no technical assistance effort can provide direct services to the more thaN 13,000 school districts with Chapter 1 programs. The TACs therefore have developed successful ways of improving the capacity of SEAs to provide leadership and to better assist both rural and non-rural LEAs with their program evaluation and improvement needs.

RURAL TECHNICAL ASSISTANCE CENTERS

Question: How would you feel about funding the Rural Technical Assistance Centers, as planned, for two years? If, after that period, good, solid research indicates that they are not doing the job, then we can talk about eliminating funding. But let's at least give them a chance.

Answer: A Request for Proposal (RFP) for the 10 Rural Assistance Centers is scheduled for release in early May. Contracts are expected to be made in the late summer. The RFP will provide for an initial contract period of 12 months which will fully use the fiscal year 1989 appropriation of $3,952,000. An option period for an additional 9 months has been built into the contract in case Congress appropriates funds for fiscal year 1990 to continue the Rural Centers. In this case, the Rural Centers and the Chapter 1 TACs would expire at the same time, giving Congress and the Department the choice, based on operational experience, of combining the programs or funding and operating them separately in fiscal year 1991.

However, the problem of the Rural Technical Assistance Centers duplicating services that the Chapter 1 TACs currently provide would still remain. We cannot justify continued funding of a new program that provides the same kinds of services that another program, already in place, now provides.

EDUCATION RESEARCH AND STATISTICS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BUDGET INCREASE FOR EDUCATION RESEARCH

Question: Mr. Secretary, your predecessor, William Bennett, often said that when it comes to improving education in this country, "We know what works", we just need to have the will to take the necessary steps.

When President Reagan sent up his 1990 budget, the largest percentage increase, 11 percent, was for the Office of Research. Now, President Bush has sent up his budget amendments and asked for an additional $13 million for research, bringing the total increase to more than 50 percent!

Mr. Secretary, do you agree with Bill Bennett that we know what works to improve our schools?

Answer: To a certain extent we do know what works to improve our schools; but there is a gap between what we know and what we do. Research that confirms what we believe to be true is helpful in determining why and under what conditions such strategies are successful. In addition, research frequently provides insights that help practitioners learn how to use the knowledge they have; and there are times when research provides us with counter-intuitive insights about what works and what doesn't.

For example, we published a report entitled Class Size and Public Policy: Politics and Panaceas which offers a guide to policymakers and parents who wonder whether smaller classes will improve the quality of their children's educational experience. This widely read publication revealed that smaller class size is not the panacea some believe it to be.

Question: If so, why do you want a 50 percent increase for research and only a 3.4 percent increase for programs serving the disadvantaged?

Answer: The increase we've requested for research is 30 percent. This will enable the Office of Educational Research and Improvement to support work seeking to advance knowledge about educational practice and to illuminate, resolve, and alleviate specific education issues and problems. In percentage terms, the increase is large, but in actual dollar terms, it is extremely modest, especially when compared to the actual dollar amount of the increase for programs serving the disadvantaged, which you mention. It's a modest amount for a very important activity.

QUESTION SUBMITTED BY SENATOR ROBERT C. BYRD

RURAL EDUCATION INITIATIVE

Question: The Appalachian Educational Laboratory received $425,555 in FY 1989 for the rural education research initiative. The FY 1990 budget recommends terminating separate funding for the rural education initiative, and that this rural education research continue within overall funding levels. Are the additional monies provided in FY 1989 for the rural education initiative continued in the overall funding levels requested for FY 1990 for the educational laboratories?

Answer: The Department's request for the regional education laboratories does not include the additional amount provided as a set-aside in 1989. We believe that, armed with the results of the special three-year rural initiative, the labs will be able to address the needs of rural schools within the basic program.

QUESTION SUBMITTED BY SENATOR QUENTIN N. BURDICK

RURAL EDUCATIONAL LABORATORIES

Question: Mr. Secretary, for three years we have set aside funds to help the rural educational laboratories identify and develop promising practices for rural, small schools. Your budget plan calls for eliminating this modest $5 million program. Your budget justification book says that addressing the needs of rural schools should be carried out under the regular lab program. I agree that the regional labs should operate an ongoing rural program. My concern is with the financing. Your budget calls for level funding of the regional labs at $17 million. This is another example of your asking an entity to take on a new task without providing any additional support. I suggest a compromise.

If we go along with your request to drop the set-aside, would you agree to increase the regional laboratories' funding to $22 million and ask them to commit $5 million to a rural program?

Answer: We believe that the request for the regional laboratories is sufficient for the laboratories to serve their regions. Addressing the needs of rural schools should not amount to taking on a new task; it should be the continuation of an ongoing activity, which can now be performed better thanks to the benefits derived from the three-year investment in the special initiative.

OERI's authorizing statute, as well as our existing agreements with the laboratories, calls for the governing board of each laboratory to set the lab's regional agenda. Therefore, it is the role of each lab's duly-appointed board to decide what portion of the lab's resources should be devoted to rural education.

SCHOOL IMPROVEMENT

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STATUS OF EDUCATION IN AMERICA

Question: Mr. Secretary, you and I consistently hear reports about the poor performance of this country's children on international achievement tests, the large number of dropouts from other high schools, and the high percentage of our population who lack basic reading and math skills. In your personal opinion, what is the general quality of education in this country and how serious are these problems?

Answer: I believe we are in trouble. For example:

- In a recent comparison of 13-year-olds from several advanced countries, U.S. students ranked dead last on average math proficiency. Twice as many Korean students could solve two-step math problems as their American peers.

- American 17- and 18-year-olds ranked 13th out of 13 countries in biology, 10th in chemistry, 9th in physics.

- More than 600,000 young Americans drop out of school each year. Fourteen percent of white, non-Hispanic students drop out; 18 percent of blacks; and 35 percent of Hispanics. For the typical dropout, that means a loss of $441,000 in lifetime earnings. His or her odds of getting a job at all are only about one in three.

- Up to 27 million American adults are functionally illiterate, and their numbers are growing by an estimated one million a year.

- A recent study found that only 27 percent of young adults in this country could interpret a lengthy feature story in a newspaper.

What all this adds up to in my book is that we are no longer a Nation at risk; we are in trouble. And I believe our only way out is what amounts to a grass-roots revolution in our education system. If we don't make some dramatic changes in education right now, we will forfeit not only our children's future, but America's place as a world leader, as well.

COORDINATION WITH DRUG PROGRAMS FUNDED BY THE ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION

Question: In Iowa, we have 26 Drug Abuse Prevention Centers across the State that are funded by State funds and Federal Alcohol, Drug Abuse and Mental Health Administration (ADAMHA) funds.

At the State level in Iowa, these Drug Abuse Prevention Centers have worked with the school districts for several years and their assistance is well received by the school districts. In fact, in the rural parts of the State, these Prevention Centers are the major source of technical assistance and support for the schools. What has the Department of Education done to require closer coordination between the schools and programs funded by ADAMHA?

Answer: The Department of Education (ED) continues to encourage actively intrastate coordination in drug prevention education programming. In January and February of this year, the Department joined the Bureau of Justice Assistance (BJA) and ADAMHA in sponsoring three regional conferences focused on the subject of intrastate coordination in the war on drugs. Conference invitees included (but were not limited to) the block and formula grant coordinators for the large substance abuse grant programs administered by ED, BJA, and ADAMHA. Conference presentations featured information about successful intrastate coordination efforts as well as programs and strategies that cut across the disciplines traditionally represented by the three departments. The conference format also included several opportunities for round-table discussions, which were organized on a State-by-State basis. This discussion provided an opportunity for State representatives to identify areas for improved coordination and cooperation within State substance abuse programs.

The Department's Third Annual Drug-Free Schools Conference, held recently in Baltimore, Maryland, featured a series of 10 presentations for conference attendees by grantees of the

National Institute on Drug Abuse and the Office of Substance Abuse Prevention. These grantees presented information about high-risk youth and drug prevention programs to conference attendees, who included ED formula grant coordinators from State educational agencies and governors' offices around the Nation. The conference presentations provided educators and others involved in prevention research an opportunity to become familiar with the results of research being supported by ADAMHA. This information will help the conference attendees plan programs and strategies for dealing with high-risk youth in the context of drug prevention.

The Department also regularly publicizes the work of the ADAMHA-sponsored National Clearinghouse on Alcohol and Drug Information (NCADI) and urges the educational community to use its resources. The Clearinghouse is listed prominently as a resource in all ED publications, and the Secretary's anti-drug newsletter, The Challenge, has included articles about Clearinghouse services. Additionally, the Clearinghouse serves as a major distribution point for all printed material published by ED in the area of substance abuse. Educators across America are coming to know NCADI as a major national resource for information on the prevention and treatment of substance abuse.

Finally, the Department frequently participates in Department of Health and Human Services (HHS) and ADAMHA Conferences and workshops such as the HHS Conference on Alcohol, the Surgeon General's Conference on Drunk Driving, and the Office of Substance Abuse Prevention Learning Community Conference.

ALCOHOL IS STILL THE BIGGEST PROBLEM

Question: Surveys done in my home State of Iowa as well as some that have been done nationwide, indicate that especially for our students in junior high school and high school, alcohol remains the biggest substance abuse problem. Do you believe the drug education programs that we are financing pay sufficient attention to the dangers of alcohol, or does this problem get less attention because alcohol is a "legal drug?"

Answer: Alcohol use by young people has received less attention than other drugs for a variety of reasons that include not only its status as a legal drug, but also a national attitude of ambivalence or even tolerance. Until recently, teenagers were legally allowed to drink in many States. Alcohol is widely used for social and ritual occasions in the home and in public events ranging from sporting contests to State dinners.

Research in recent years has demonstrated that alcohol is the drug of choice for young people and functions as a "gateway" to the use of illicit drugs. As a result, prevention efforts are giving increasing emphasis to underage drinking. The Department of Education, for example, has published several articles on the harmful effects of alcohol on young people in its nationally distributed newsletter. In addition, Schools Without Drugs is being updated to provide the latest information on drug use and effects and will include a new emphasis on alcohol.

Other activities of the Department, such as the Drug-Free School

Recognition Program, the Third Annual Conference on Drug-Free Schools, posters, and educational materials produced by the Department, all stress the harmful effects of alcohol use by young people.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

MAGNET SCHOOLS--RURAL EDUCATION

Question: Mr. Secretary, in your statement, you mentioned equal access to a quality education as being an important component of education. However, some of the President's initiatives seem to be for certain areas only. The increased use of magnet schools for excellence, for example, really doesn't apply to rural schools. Magnet schools are found in urban areas, where several types of specialized schools are available to choose from. In rural areas, one or two schools must do the work of all types. What options could you offer to rural schools to counter the magnet school concept?

Answer: We believe that all school districts, including districts located in rural areas, can benefit from the magnet schools concept. Magnet schools offer special curricula that can improve the quality of education and enhance the reputation of participating school districts. Rural schools that offer specialized curricula may stimulate students' interests, encourage students to develop further their abilities, and increase parental involvement. In fact, the Point Coupee Parish school system in New Roads, Louisiana, a 1987-88 Magnet Schools grant recipient, is located in a rural area and has sucessfully implemented magnet school programs at both the elementary and secondary school levels. These programs are providing students with tangible marketable vocational skills or with the academic preparation necessary to enter college. High quality, innovative educational programs can be successful at fostering educational excellence in all geographic areas. In addition, rural schools receive funding under such other programs as Chapter 1, Chapter 2 State Block Grant, Dwight D. Eisenhower Mathematics and Science Education, and Drug-Free Schools.

Question: How could money from the magnet school grants be made available to rural school districts?

Answer: Under the proposed Magnet Schools of Excellence program, grants would be awarded competitively to school districts at the national level. Both urban and rural school districts would be eligible to compete for funding to support the establishment, expansion, or enhancement of magnet schools programs, without regard to the presence of desegregation plans, to strengthen the knowledge of elementary and secondary school students in academic and vocational subjects.

Question: Could magnet school money be used instead to provide satellite technology, video instruction, computers, and other services to rural schools, to make up for their not being able to offer specialized curricula?

Answer: Under the proposed Magnet Schools of Excellence program, as well as under the existing program, grants could be used by eligible local educational agencies to provide computers and video instruction.

QUESTIONS SUBMITTED BY SENATOR WARREN RUDMAN

EFFECTS OF MILITARY BASE CLOSINGS ON IMPACT AID PAYMENTS

Question: A number of communities around the country will be coping with the closure of military bases under provisions of the Base Closure and Realignment Act (P.L. 100-526). In many of these communities, school system budgets receive significant amounts of Impact Aid. Because school budgets are usually based on relatively constant student populations over the school year and spending commitments, in the form of teacher contracts, supplies and so forth, are based on the same assumptions, and abrupt withdrawal of disruptions in local school budgets. When a military base closing becomes official, how will the Department of Education treat Impact Aid payments to the affected community? Will they continue at current levels for the balance of the school year? Will they be adjusted downward gradually? Or, will they be withdrawn immediately?

Answer: When a base closes, Impact Aid payments to the district(s) enrolling the base children will be affected, although there is some relief provided by the program law for such districts. Section 3(e) of the Impact Aid statute provides for a gradual adjustment in payments to districts that experience substantial decreases in Federal activities. This section authorizes adjusted payments for a three-year period to a school district whose number of federally connected children decreases by at least 10 percent from one year to the next as a result of reduced or eliminated Federal activities. As long as Congress provides appropriations for this section, these provisions can be implemented.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CONGRESSIONAL AND DIPLOMATIC SEMINARS FOR PHYSICALLY DISABLED

Question: Mr. Secretary, Statement of Managers language in the conference report on the fiscal year 1989 Labor-HHS-Education appropriations measure contains a new initiative relating to civic education for hearing impaired and other disabled secondary school students. The Statement of Managers directed that $250,000 in discretionary funds be made available from the Fund for Innovation in Education for the purpose of administering a program of grants to eligible secondary school students from across the Nation to participate in Congressional and Diplomatic seminars in the Nation's capital. The conference report further directed that these grants be allocated to students who are hearing impaired or otherwise disadvantaged or disabled with special needs.

Could you advise as to whether the Department has provided for

these funds to be made available from the fiscal year 1989 discretionary fund account?

Answer: When grant competitions under the Fund for Innovation in Education are announced for 1989, the Department will invite applications for projects to administer awards for hearing impaired and other disabled secondary school students to attend civic education seminars in Washington, D.C.

CLAUDE AND MILDRED PEPPER SCHOLARSHIP PROGRAM

Question: On consideration of the conference report by the full Senate, a Floor colloquy was engaged in by Senators Chiles and Hatfield, strongly recommending that the Department allocate these monies to the Claude and Mildred Pepper Scholarship program which is administered by the Washington Workshops Foundation. Has the Department made provision for $250,000 in discretionary funds to be allocated to the Pepper Scholarship program?

Answer: The Washington Workshops Foundation will be eligible to apply for funds for the Claude and Mildred Pepper Scholarship program when grant competitions under the Fund for Innovation in Education are announced for 1989. The Department does not have authority to make a noncompetitive award, but the Washington Workshops Foundation is welcome to compete for funds.

QUESTION SUBMITTED BY SENATOR ROBERT C. BYRD

REHABILITATION RESEARCH AND TRAINING CENTER AT WEST VIRGINIA UNIVERSITY

Question: The Rehabilitation Research and Training Center at West Virginia University in Morgantown, West Virginia, has been cited again and again for its exemplary work on the Job Accommodation Network. Please provide the fiscal year 1987, 1988, and 1989 funding levels provided by the National Institute on Disability and Rehabilitation Research (NIDRR) to the Research and Training Center in total, as well as the funding level provided for the Job Accommodation Network. Also provide the funding level included in the fiscal year 1990 budget request.

Answer: The information you have requested is provided below. The first table shows the funding provided to the West Virginia University Center from the NIDRR for the Research and Training Center and Research and Demonstration Grant activities. The second table shows the funding provided for the Job Accommodation Network.

Rehabilitation Research and Training Center Funding Levels

Type of Grant	Fiscal Year 1987	1988	1989	1990
Research and Training Center	$660,000	$720,000	$690,000	$690,000
Research and Demonstration	297,137	297,155	297,155	--- 1/
Total Funding:	957,137	1,017,155	987,155	690,000

1/ The three-year Research and Demonstration Grant ends in 1989.

Job Accommodation Network Funding Levels

	Fiscal Year 1987	1988	1989	1990
Network funding from NIDRR	$50,000	$50,000	$50,000	$50,000

STUDENT FINANCIAL ASSISTANCE

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DOLLAR INCREASES YIELD NO INCREASE IN BENEFITS

Question: Mr. Secretary, you have stated that you are very proud that 85 percent of the President's budget request for education is targeted on the needs of the disadvantaged. Yet when you look at your budget request for the two largest programs serving the disadvantaged, Chapter I and Pell Grants, you discover that your inflation increases would result in no enhanced benefits to any students. Your own budget materials for Chapter I show that, at best, we will serve as many students in 1990 as we are serving in 1989. By asking us to freeze the maximum Pell Grant at the current level, we will provide no additional support to the neediest students trying to attend college, even as tuitions continue to rise.

Mr. Secretary, given the growing numbers of our Nation's students that are disadvantaged, do you really consider these requests adequate to meet the need?

Answer: Given the fiscal constraints that we face, I believe that the 1990 budget request for Chapter 1 is not only adequate but quite generous. Our request for Chapter 1 Basic Grants to Local Educational Agencies would increase funding for that program by $46.8 million. These funds would be allocated to school districts that apply and have at least 10 eligible children. Consistent with the policy of focusing resources on areas with the greatest need, our request proposes a $90 million, or 52 percent, increase for Concentration Grants. This request for Chapter I will maintain our

continuing commitment to help States and localities meet the special educational needs of disadvantaged children.

The Department's fiscal year 1990 budget request of $4.74 billion for the Pell Grant program is a $256 million increase over the 1989 budget authority. This demonstrates a firm commitment to maintaining grant support for the neediest postsecondary students nationwide. Even though the maximum award would not change in academic year 1990-91, the number of Pell Grant recipients would increase by approximately 46,000 to a total of 3,142,000. About 133,000 of these recipients would be less-than-half-time students supported for the first time in 1989 and 1990.

Funds for Work-Study, Supplemental Grants, Guaranteed Student Loans, and Income Contingent Loans round out the student aid budget. At the requested budget levels, assistance to college students supported by all Department student aid programs would total approximately $19.2 billion in 1990, an increase of $849 million over the $18.3 billion funding level in 1989.

MAKING STUDENT AID CONTINGENT ON NATIONAL SERVICE

Question: Mr. Secretary, you are aware that a number of bills have been introduced regarding national service. One that has gotten a lot of attention would make the availability of student aid contingent upon some form of national service.

What are your opinions on this proposal?

Answer: I personally am very much in favor of the increased involvement of young Americans in volunteer service. We are studying in detail the different bills that have been proposed and are not yet ready to state ED's official position on any of them. However, several aspects of the proposal you mention do concern me. For example, I have reservations about the equity of requiring young people to complete a period of military or community service to qualify for Federal student aid. The effect could be that only those whose parents could not afford to pay for college would have to serve, while no service would be required of those who do not require Federal student aid. And those who do end up serving may lose their desire to go on to postsecondary schools. Quite possibly the very group intended to be helped--the disadvantaged who now receive student aid--would be hurt. I'm also concerned about the potentially huge new costs of that proposal, as well as the feasibility of finding public service jobs which fit the interests and abilities of millions of individuals--many of whom have not completed high school. Clearly, making low-income public service a pre-condition of student aid eligibility would be a major disincentive to the thousands of older adults who currently use student aid for mid-career retraining.

Question: Do you think there is a way of structuring these proposals that would be equitable to young people of all incomes but would also serve to reduce the costs of student aid in the long run?

Answer: I do not believe that the proposed savings in the Federal student aid programs would come close to offsetting the potential costs of some of these volunteer programs. Furthermore, the actual costs of the proposed programs would include more than

just direct program expenses. The actual costs of national service proposals would also include indirect, induced cost increases in "competing" programs like military recruitment, Peace Corps, VISTA, Job Training Partnership Act, and so on. As you may know, President Bush is proposing a low-cost national Youth Entering Service--YES--initiative that does not tie service to receipt of student aid.

Question: Do you think we would have better luck at keeping students in college if they had the added maturity of 2 years of national service?

Answer: The Department is not aware of any studies that support delaying the entry of students into college in order to increase persistence and degree attainment. Rather, data from a National Center for Education Statistics study entitled College Persistence and Degree Attainment for 1980 High School Graduates show that about four of every seven 1980 high-school graduates who immediately entered 4-year colleges after graduation stayed in school full time for 4 years. Nearly three-fourths of these persisters attained bachelor's degrees. In contrast, less than one-tenth of the graduates who either delayed entry, attended school on a part-time basis or entered less-than-4-year institutions subsequently attained bachelor's degrees (by February of 1986).

WILL STUDENTS TAKING ONE COURSE EVER GRADUATE?

Question: Mr. Secretary, when the Appropriations Committee passed its bill for fiscal year 1989, we were told that we had not reached the funding trigger that would allow less-than-half-time students to become eligible for Pell Grants. When the Education Department developed its budget proposal for 1990, however, the Administration changed its cost estimate and decided that these less-than-half-time students would become eligible in 1989 and next year as well. You announced that you were proud that the budget request included funding for about 133,000 less-than-half-time students.

Mr. Secretary, do you really believe that these students who are taking one course will ever go on to graduate from their academic program?

Answer: Data from the Department's 1987 National Postsecondary Student Aid Study (NPSAS) indicate that less-than-half-time students are usually in their first or second year of study and tend to enroll in public community colleges in professional or occupational programs. While the data show that these students do tend to "stop out," they subsequently re-enroll. Of those who leave school, three-fourths indicate their intention to return. I believe that providing support for less-than-half-time students will help many students eventually graduate from their chosen academic program. It is true that it would take a long time to complete a 4-year curriculum by taking one course at a time. However, shorter term programs can be completed more easily on a part-time basis, and it is possible that individuals who get a taste of higher education through part-time attendance will decide to attend on a full-time basis at some point.

Question: Given the scarcity of resources for important programs like Pell Grants, are we really targeting our money in the best way here?

Answer: Our fiscal year 1990 Pell Grant request includes $38 million to provide grants averaging $285 to 133,000 less-than-half-time students. The law states that these students must be unable to make any contribution to postsecondary expenses from their own financial resources as determined by the statutory need analysis formula. These students are among the neediest students served by the Pell Grant program, which itself is targeted on a low-income population.

A NO GROWTH BUDGET FOR STUDENT AID

($ in 000's)

Student Financial Assistance Account	FY 1989 Enacted	FY 1990 Request	Change
Pell Grants	$4,484,000	$4,740,000	+$256,000
Supplemental Educational Opportunity Grants (SEOG)	438,000	453,000	+15,000
College Work-Study	610,100	610,100	---
Perkins Loans (NDSL) (New contributions to revolving funds)	183,500	---	-183,500
State Student Incentive Grants (SSIG)	71,900	---	-71,900
Income Contingent Loans	4,900	20,000	+15,160
Total	5,792,400	5,823,100	+30,700

Question: Mr. Secretary, after you factor in all the increases and cuts you have proposed for the Student Financial Assistance programs, the result is just a $31 million increase, or about 0.5 of 1 percent above last year's level.

Given the fact that we have seen a decline in the participation of minorities in higher education, and the fact that tuitions continue to rise at between 6 and 8 percent a year, is this budget request consistent with your stated priority to enhance access to higher education?

Answer: One should not look just at the Student Financial Assistance appropriation account request to determine whether access to higher education would be enhanced. The total measure of aid available to postsecondary students also includes Guaranteed Student Loan capital, the Perkins Loan institutional revolving funds, and the required institutional and State matching funds generated by the Department's student aid programs. Total aid

available to students in 1990 would increase by $849 million under our proposed budget. This increase of 4.6 percent from the 1989 level demonstrates our firm commitment to enhancing access to higher education.

GUARANTEED STUDENT LOANS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DEFAULT MANAGEMENT PLAN

Question: Mr. Secretary, I understand that you have had over 3,000 responses to your solicitation for comment on the default reduction regulations proposed by Secretary Bennett last September.

The gross default rate continues to grow and is expected to be 14.8 percent in fiscal year 1990. The cost of these defaults will exceed $1.9 billion this coming year--making it the third largest expenditure in your Department.

Mr. Secretary, some people have said that rather than focusing on the default rate, we should focus on the fact that 85 percent of the loans are paid back on time. Since giving students loans--even with the default rate--is still cheaper than providing grants, they say that we shouldn't be worried with $1.9 billion in default. Do you agree with that view?

Answer: Absolutely not. Although we recognize that loans are considerably less costly than grants, continually rising default costs increase the risk of losing public confidence in and support for the student financial aid programs. More immediately, high default costs divert valuable public resources away from taxpayers and from needy students. The increasing costs associated with Stafford Loan defaults is one of the major issues facing postsecondary education today. There are certainly more socially effective uses for $1.9 billion per year than to bail out former students who have not honored their obligations. By the way, approximately $5.5 billion is currently in default status.

Question: Mr. Secretary, for the benefit of the Committee, what are your plans for reducing default costs and how can we get these default rates down?

Answer: The Department's fiscal year 1990 budget request includes a number of proposed legislative changes to reduce both the cost and rate of default. These are:

- Risk-sharing with lenders: The lender's insurance level would be reduced from 100 to 90 percent in order to introduce a concrete financial incentive for lenders to pursue greater collection diligence before filing default claims.

- Risk-sharing with guarantee agencies: Similarly, in order to stimulate greater collection diligence by guarantee agencies, the Federal reinsurance of default claims paid by guarantee agencies would be reduced from 100/90/80 percent to 90/80/70 percent depending on default experience. Also, the "default trigger" formula would be reformed to take agency collections

into account and to apply the reinsurance reduction to a full fiscal year.

DEFAULT MANAGEMENT PLAN

- National Student Loan Data System: The statutory prohibition against use of the newly authorized National Student Loan Data System for enforcement of borrower eligibility rules would be deleted as a condition of full implementation of the system. Thus, loan limits would be more easily enforced and defaulters would be prevented from receiving further student aid. More complete and more accurate information coming from the National Student Loan Data System also would improve collection efforts by making it easier to locate borrowers and reduce the likelihood of erroneous reporting of loans in default.

- Delayed disbursement: Disbursements of loans to first-time borrowers would be delayed for 30 days from the student's first day of classes. This would help reduce the inordinately high rate of default by students who withdraw within the first few weeks of class.

- Credit checks: The Department's proposed legislation would require all applicants for guaranteed student loans age 21 and older to undergo credit checks. Applicants who, in the judgment of the lender (subject to regulatory standards prescribed by the Secretary), have negative credit histories would be required to obtain a creditworthy cosigner in order to receive a loan. Students with very little or no credit historywhich would be the vast majority of applicants would not be required to obtain a cosigner. Consequently, their access to guaranteed student loans would not be restricted. This initiative is targeted solely on those loan applicants who have already demonstrated their lack of credit-worthiness.

- Information collection improvements: Difficulty in locating delinquent borrowers is another problem related to the growth in defaults. To make it easier to locate delinquent and defaulting borrowers, the Department proposes to require schools to obtain, at the time of application, the borrower's driver's license number. Similarly, during the exit interview, the school would obtain the borrower's expected address after graduation, the address of the borrower s closest relative, and the name of the borrower's expected employer after graduation. Access to such information would enhance collection efforts with little increase in the administrative burden on schools or lenders.

DEFAULT REDUCTION REGULATIONS

The Department published a Notice of Proposed Rulemaking (NPRM) on September 16, 1988, which would have implemented our institutional default reduction initiative. Subsequently (on November 3, 1988), we solicited public comment on additional default reduction initiatives not detailed in the NPRM. Although the final regulation has not been published, we expect it will:

- Implement a graduated approach for imposing default management plans and other sanctions on schools with high default rates;

- o Specify the consumer information which institutions offering undergraduate nonbaccalaureate training for a particular vocational, trade or career field must provide to all prospective students; and

- o Require schools to provide initial loan counseling of all Stafford and SLS borrowers prior to disbursement of the loan.

ADMINISTRATIVE ACTIONS TO REDUCE DEFAULTS

In addition, the Department has initiated a number of administrative actions that are intended to reduce defaults. They include:

- o Expanding student financial aid program reviews, utilizing the set-aside for hiring additional staff contained in the fiscal year 1989 appropriation;

- o Enforcing due diligence in lender and guarantor collection efforts;

- o Reporting defaulted accounts held by the Department to consumer credit bureaus;

- o Adding the cost of the Department's collection efforts to the loan obligations of defaulters;

- o Expanding the Federal employee salary offset to include satisfactory repayment agreements as a condition of Federal employment for defaulters;

- o Mandating that guarantors assign their defaults to the Department for (1) offsetting Federal employee salaries and (2) conducting a comparative study of Department and guarantor collection performance;

- o Continuing the use of the IRS tax refund offset program; and

- o Continuing the referral of defaulted accounts to the Department of Justice for litigation.

The legislative proposals, regulatory initiatives and continuing administrative actions described here are important components of our overall default reduction effort. However, we have also developed additional legislative and regulatory proposals based on our analysis of public comments received in response to both Federal Register notices. We expect that the new regulatory proposals will be published as an NPRM shortly, and that the new legislative proposals will be submitted to Congress soon.

DEFAULT REDUCTION PROPOSALS

Question: Mr. Secretary, the three charts we have on display provide a summary list of several proposals that will help reduce the default rate. These have been shared with you in advance and I would like you to comment on them briefly for the Subcommittee.

I am sure you will recognize that one of these charts lists the

Department's own legislative proposals included in the fiscal year 1990 budget.

Mr. Secretary, please proceed with your discussion of these proposals.

Answer: The Department agrees with the following legislative proposals on the chart:

-- Require lenders and guarantee agencies to share default risks.
-- Require credit checks, with cosigners for poor risks.
-- Delay initial disbursements for first time borrowers for 30 days.
-- Repeal the prohibition against the use of the National Student Loan Data System for verifying compliance with eligibility rules.
-- Require pro rata refunds to lenders on behalf of dropouts.
-- Require participation in the IRS tax refund offset program.

However, the Department disagrees with the following regulatory-proposals on the chart:

-- Charging origination fees on SLS and PLUS loans. This is not a default reduction provision, but rather a revenue-enhancing "user fee"--imposed on the borrower, who is already paying a market interest rate. By law, the current origination fee, for regular Stafford Loans, is not an insurance premium but an offset against interest subsidy costs. If this is to be an insurance fee for PLUS and SLS, duplicating insurance fees already charged by most guarantee agencies, a 5-percent fee is probably excessive for these currently low-default programs.

-- Charging defaulters market interest rates. This may create a disincentive for defaulters to enter repayment.

-- Requiring repayment to begin immediately when borrowers drop out of school. Dropouts are not likely to find employment immediately after leaving school, and therefore will most likely not be in a position to begin immediate repayment.

DEPARTMENT'S LEGISLATIVE PROPOSALS--BANKS TAKING RISK

Question: If we require lenders to assume 10 percent of the risk, won't many banks withdraw from the program?

Answer: In the past, an exodus of lenders from the program has been predicted each time a proposal has been made that could affect lenders' return on Stafford Loans. Despite the implementation of such measures, the number of lenders participating in the Stafford Loan program is greater now than at any time in the program's history. Assuming the current default rate of 14 percent and a 10-percent loss from risk-sharing (90-percent instead of 100-percent insurance), the potential loss to lenders resulting from risk-sharing would be just 1.4 percent of the average lender's portfolio. This, and the substantial increase in loan volume in the last few years, suggests that the program will remain an attractive option for lenders with risk-sharing.

While I agree that some for-profit lending institutions may reduce their GSL participation under 90 percent instead of 100 percent insurance, I believe a sizable majority of the

participating commercial lenders would remain, and many would likely expand their participation--picking up much of whatever volume is dropped by the others. In any event, State, school, and non-profit agency lending, together with guarantee agency "last resort" lending, provides a "back-stop" in the unlikely event of significant commercial lender withdrawal.

Further, a provision within the Higher Education Act requires that each participating guarantee agency must assure loan access for all eligible borrowers, either by identifying willing regular lenders or by making "last resort" student loans themselves (using statutorily authorized advances from the Student Loan Marketing Association, or other sources of capital). We are not seeking to change this provision, and would expect it to remain in place if default risk-sharing is enacted. Also, I would point out that not all GSL lenders are primarily motivated by the profit incentive. State agency lenders, private non-profit agency lenders, and school lenders would surely continue to participate under 90-percent insurance.

Question: Under current law, if banks withdraw from the program or simply refuse to make high-risk loans, the loans would get made anyway under the "lender of last resort" provision. How then would this reduce default rates?

Answer: An eligible borrower who has been refused a loan by a participating lender has the option of applying to the lender of last resort for a loan, who generally must make the loan. However, our objective in seeking default risk-sharing with lenders is not that lenders refuse to make loans to "high-risk" students, but rather that lenders do a better job of collecting all loans. The GSL program is profitable to lenders and we do not believe that sharing a small portion of the risk of lending would drive many banks from the program. Instead, by sharing in the cost of defaults, lenders would be given an incentive to exercise due diligence in assuring that loans are repaid.

GUARANTEE AGENCIES TAKING RISK

Question: Under current law, the guarantee agencies' insurance rate drops to 90 percent when they send 5 percent of their default portfolio on to the Department for reimbursement. This encourages the guarantee agency to continue to work its cases in an effort to bring them into payment status.

Under current law a guarantee agency starts fresh each year at a 100-percent insurance rate. The Department proposes to apply the trigger to the previous year's experience and start the risk level to first 90 percent, then increase it to 80 percent, and 70 percent as default levels go up. This should provide greater incentive for the guarantee agencies to pursue bad loans and bring them into compliance.

Won't this require guarantee agencies to increase their insurance premiums to the maximum level?

Answer: No. Many guarantee agencies could reduce their expenditures or increase secondary market operations or

appropriations from State legislatures. Because we are also proposing that the trigger default rate calculation be changed from a gross (lender claim) rate to a--lower--net rate (lender claim payments minus guarantee collections), we expect that some agencies would experience a cost reduction under our proposals. The formula would simply be more rational. Currently, contrary to the implication in the question, the "reinsurance trigger" provisions do not encourage the guarantee agencies to collect harder on accounts they hold, because these collections are not taken into account in the formula.

The statutory maximum that a guarantee agency may charge for an insurance premium is 3 percent. Until approximately 2 years ago, most agencies charged the maximum fee. There was never an indication that agencies' charging the maximum premium in any way impeded access or otherwise impaired the effectiveness of the program. In any case, competition among guarantors should ensure that risk-sharing will not result in all borrowers being charged the maximum premium in the future. Instead, we believe that risk-sharing will spur guarantors to do a better job of collecting defaulted loans and to otherwise administer their programs in a more efficient manner.

REQUIRE CREDIT CHECKS

Question: The Administration has proposed to require a borrower who is over 21 with a bad credit record to obtain a credit-worthy cosigner. Will this result in a complete turndown for some borrowers?

Answer: Yes, but only when a borrower with a poor credit history cannot obtain a credit-worthy cosigner. Prospective borrowers who are not more than 21 years old or have little or no credit history--the vast majority of loan applicants would not need a cosigner. Consequently, their access to loans would not be restricted by this proposal. This initiative is targeted solely to those who have already demonstrated their lack of credit-worthiness.

DELAY INITIAL DISBURSEMENT

Question: Do you believe schools will be willing to give students a grace period for their payment of the tuition and other fees or will this require a bridge loan of some kind?

Answer: Yes; to some extent practices such as grace periods and bridge loans would be necessary under delayed initial disbursement, and we believe most schools will be willing to cooperate in this way because, if the borrower is satisfied and does not immediately drop out, the schools know the loan will be forthcoming. The need for tuition payment "grace periods" or bridge loans would be minimized by the continued availability of Pell Grants and campus-based aid, as well as State and institutional-support to meet tuition and fees and living expenses.

Although some institutions might oppose these practices, there is widespread agreement among policymakers that delayed disbursements would be an effective default reduction measure. The default bill recently passed by the Senate (S. 568) provides for a 30-day delayed initial disbursement. The default bill considered by

the House of Representatives in the last Congress (H.R. 4986) provided for a 15-day delay. In addition, the Belmont Task Force, representing all segments of the student aid community, recommended delaying disbursements for first-time borrowers for at least 2 weeks.

DATA SYSTEM

Question: The Committee funded the National Student Loan Data System last year contingent on the authorizing committee lifting the prohibition on its use. The authorizing committee has not done so to date, and the $5.6 million provided will lapse.

How is the Department enforcing the prohibition against students with defaulted loans receiving a second loan, and students receiving more loan guarantees than permitted without such a system?

Answer: The current enforcement system relies on self-reporting by borrowers. Borrowers are required to state on their loan applications whether or not they are in default on Federal student loans as well as the loan amounts they have already borrowed. Beginning with Award Year 1990-91, the Department will begin matching Title IV applicant data against records of defaulted loans held by ED, i.e., Federal Insured Student Loans and Perkins Loans that have been assigned to ED. Thus, for those subsets of defaulters, additional Title IV aid could generally be prevented. However, without a comprehensive student loan data system and the authority to require eligibility checking prior to loans being made by guarantee agencies or schools, it is not possible to fully prevent students with defaulted Stafford or Perkins Loans from receiving a second loan, nor to prevent students from receiving more loan guarantees than permitted by law. This is why the Department has again proposed to remove the statutory prohibition that prevents the Secretary from using such a data system for eligibility determination.

ADMINISTRATIVE PROPOSALS SUGGESTED TO THE COMMITTEE

Question: Mr. Secretary, one chart lists three proposals that could be implemented administratively and would save over $100 million in fiscal year 1990. I am sort of wondering why you don't go ahead and implement some of these. The chart follows:

Other Proposals to Reduce Default Costs

Administrative	1990 (millions)
• Require agencies to remit loan collections quicker	$24
• Add collection costs/agencies share all payments	61
• Pay collection costs and interest before principal	-

Answer: The Department is planning to implement through forthcoming regulations the administrative proposals that: require agencies to remit loan collections more quickly; and require guarantors to add collection costs to defaulters' debts while sharing any payments received with the Department. The proposal to credit default payments toward collection costs and interest before principal is already required by regulation.

REQUIRE AGENCIES TO REMIT LOAN COLLECTIONS MORE QUICKLY

Question: Once collection is made on a bad loan, guarantee agencies now have 60 days to make reimbursement to the Department of Education. Collection agencies working for the Federal Government make the repayment within 1 day. Why should we let the collection agency keep the money for a full 60 days?

Answer: The Department is considering a regulatory change that would reduce from 60 days to 30 days the time a guarantee agency has to pay the Department's equitable share of borrower payments. While the guarantee agency needs some time for processing a payment it receives to ensure the accuracy of its records, we believe 30 days is a sufficient period for that activity.

SHARE ALL DEFAULT PAYMENTS

Question: When a defaulted loan is brought back in repayment by a guarantee agency, the guarantee agency is also required to keep 30 percent. The guarantee agency is also required to add an amount to the loan principal to cover the cost of collection. When the loan is repaid, why shouldn't the Federal Government also get 70 percent of the additional amount added to the loan principal?

Answer: The Department is considering a regulatory change that would provide that the Department's equitable share of borrower payments include a share of payments attributable to a guarantor's costs.

Question: Doesn't the 30 percent already compensate the guarantee agency for its collection efforts?

Answer: In developing a regulatory proposal, the Department may determine that the 30-percent collection retention allowance is sufficient compensation. If that is our conclusion, all collection costs that are paid by the borrower would be forwarded to the Department.

LEGISLATIVE PROPOSALS SUGGESTED TO THE COMMITTEE

Question: Mr. Secretary, the last chart lists six legislative proposals that would also save over $100 million in fiscal year 1990. I would like to get your comments on these proposals as well.

Charge origination fees on SLS and PLUS loans--This is a proposal that recently passed the Senate. Some have argued that since these are market rate loans, it is not fair to also charge an origination fee. What is your view, Mr. Secretary?

Answer: We do not support this proposal. This is not a default reduction provision. It is a revenue-enhancing fee imposed on the student/parent borrower. It would be unfair to charge such a fee to borrowers who are already paying a near market interest rate. It would also be a disincentive to the development of these newer student loan programs, which involve much less cost to the taxpayer than Stafford Loans (regular GSL).

By law, the current origination fee for Stafford Loans is not an insurance premium but an offset against interest subsidy costs. If this proposed origination fee for PLUS and SLS is intended as an insurance fee (duplicating insurance fees already charged by most guarantors), then 5 percent is probably excessive for these currently low-default programs. If the intent is that these fees will be used solely to meet SLS and PLUS default costs, the full savings would not be realized for some years (due to currently very low default costs in these programs). On the other hand, if the intent is for these PLUS/SLS fees to help offset Stafford Loan (regular GSL) interest subsidies and default costs, this would be a very serious injustice to PLUS/SLS borrowers. In either case, a new internal accounting system would be required, as well as a new system for collecting these fees from some 13,000 lenders--a burden on lenders and a potential new area for lender administrative errors.

No such systems are necessary for the current Stafford Loan origination fee because it simply offsets a portion of the much larger Federal interest subsidy payments.

Question: Charge defaulters market interest rates--The 1989 Reconciliation required that collection costs be added to the loan amounts due. This proposal would also increase the interest rate at the time of default and could be useful in stressing to the student at the time the loan is made the importance of paying the loan on time. What is your view, Mr. Secretary?

Answer: We would oppose an increase in interest rates for defaulters. While the threat of a higher interest rate might be useful in stressing the importance of loan repayment, we are reluctant to create a potentially serious disincentive for defaulters to come forward and renew payments on their loans.

LEGISLATIVE PROPOSALS SUGGESTED TO THE COMMITTEE

Question: Require guarantee agencies to participate in the IRS tax refund offset program--This would require all guarantee agencies to provide the IRS each year with a list of students whose loans are in default, so that an offset can be made against their tax refund. Currently, all States except Alabama, Florida, Idaho, Louisiana, Missouri, Michigan, New Mexico, Puerto Rico, and American Samoa participate voluntarily. What is your view, Mr. Secretary?

Answer: Most guarantors voluntarily assign defaulted loans to the Department so that the IRS can be notified to offset defaulters' income tax refunds. The Department agrees that all guarantee agencies should be required to participate in this effort.

Question: Contact students immediately when they drop out Currently, the Department does not pursue a dropout for repayment until 6 months after the person has dropped out. The difficulty with waiting so long is that often the new address of the person cannot be identified. Why does the Department permit a 6-month wait in pursuing dropouts for repayment?

Answer: The statute, 20 U.S.C. 1078 (b)(1)(E), specifies that the repayment period begins 6 months following the month the student ceases to carry at least one-half of the normal full-time academic workload. This is known as the "grace period." The current regulations require a lender to promptly contact a borrower in order to establish the terms of repayment of a loan once the lender learns that the borrower is no longer enrolled at a participating school on at least a half-time basis. However, the actual payments are not due until after the expiration of the 6-month grace period.

LEGISLATIVE PROPOSALS SUGGESTED TO THE COMMITTEE

Question: Require minimum number of Departmental reviews--Currently, there are approximately 12,000 banks and 54 guarantee agencies in the program. Last year there were a total of 336 compliance reviews of banks. At that rate a bank can expect a review every 36 years.

Mr. Secretary, shouldn't we require more frequent reviews of banks and guarantee agencies to ensure that they are in compliance with "due diligence" requirements?

Answer: The Department agrees that it is desirable to increase the number of reviews of lenders and guarantee agencies. Of the 90 additional Department staff positions for program compliance, about one-third are allocated to the lender and guarantee agency review function, more than doubling the existing number of reviewers. After the newly hired reviewers have been fully trained, we expect the number of lender and guarantee agency reviews to increase substantially.

In addition, under regulations that became effective in 1986, each guarantee agency is required to conduct biennial reviews of its largest lenders and schools. Some agencies review more than the required minimum. From January 1986 to March 31, 1989, the guarantee agencies completed 683 lender reviews. We expect this number to increase as guarantee agency staff become more experienced.

The Department places a very high priority on compliance reviews of guarantee agencies. Our goal is to review each agency once every 2 years. Ten guarantee agency reviews were completed in fiscal year 1988 and 18 are scheduled for fiscal year 1989. Guarantee agencies are also subject to a biennial audit requirement. The Office of the Inspector General also conducts reviews of guarantee agencies.

Since many lenders use a servicing agent to administer their student loans, the Department also plans to conduct reviews at servicers. Since a single servicer handles accounts for many lenders, this approach enables us to perform multiple lender reviews in a cost-effective and more efficient manner.

Question: Require pro-rata refunds to lenders on behalf of dropouts--Currently, if a student gets a loan, pays the school, and then drops out in a matter of days or weeks, often the school keeps all or most of the money paid by the student.

Why shouldn't we require the school to refund directly to the bank a pro rata share of this payment, thereby reducing the student's indebtedness?

Answer: The Department included such a pro rata refund policy in the September 1988 Notice of Proposed Rulemaking (NPRM), and we expect that a version of this policy will appear in the final regulation with respect to high-default schools.

STUDENT FINANCIAL AID—SCHOOL ADMINISTRATOR DISCRETION

Question: Last year the Committee took away authority that was granted in the Higher Education Act that allowed Student Financial Aid administrators the discretion to alter a student's Pell Grant award level. We did this because the Department estimated that this discretionary authority added $166 million to the cost of the program.

The Department has not requested the continuation of this language and estimates that reinstating this waiver authority to financial aid administrators will cost $162 million in fiscal year 1990.

Why hasn't the Department requested this language again in view of the fact that it will save $162 million and saving this money could allow an additional 100,000 students to receive Pell Grants?

Answer: Other than our GSL default reduction measures and a limited number of minor cost-saving proposals, no substantial eligibility or programmatic changes have been proposed for the student aid programs in the Department's 1990 budget request.

Since this is my first year as Secretary, I want to take some time to study this and other important student aid issues, and to

consider the views of interested parties. I intend to take a fresh look at the situation before seeking extensive student aid program reforms, such as need analysis changes or modification of student eligibility requirements.

DEFAULT RATES--PROPRIETARY SCHOOLS

Question: Mr. Secretary, I want to thank you for this discussion of the default rate problem and your views of these several additional proposals to bring the rate down.

As you know, the default rate differs greatly by sector: 35 percent for proprietary schools, 21 percent for 2-year public schools, 17 percent for 2-year private schools, 9 percent for 4-year public schools, and 8 percent for 4-year private schools.

In your view, why is it that proprietary schools have such a high default rate and how is the Department addressing the problem?

Answer: In some cases, the profit objective may override the school owner's interest in providing high quality education and lead to abuses of students and Federal aid. Such abuses lead to high default rates. A recent Department study corroborates numerous reports of abuses by proprietary schools. Many of these abuses stem from school practices to maximize enrollments and thus revenue, rather than completion and placement. This becomes the school's primary goal rather than educating students. Abuses that contribute to defaults include:

- Aggressive and unscrupulous recruiting.
- Abuse of the "ability to benefit" provision by ignoring or falsifying entrance test scores or by failing to establish meaningful entrance or placement tests.
- The dissemination of false and misleading student aid or institutional information.
- Low quality training programs.
- Poor counseling and student retention programs, leading to very high drop out rates.
- Failure to pay tuition refunds, and unfair/confiscatory refund policies.

To increase the detection and correction of these abuses, the Department is proposing an increase of $574,000 for travel in the 1990 Budget, to be used primarily for program reviews. Institutions are selected for program reviews based in part on complaints received from the public and questions generated from audits. Many of the additional S&E funds earmarked for program reviews will be used to review proprietary schools.

To address this growing problem, the Department is considering the following potential regulatory changes, which would affect all schools, including proprietary schools:

- Limit/Suspend/Terminate Proceedings: Subject very high default schools to limitation, suspension, or termination from Title IV student aid programs unless they demonstrate that their high default rate is due to circumstances beyond their control.

- Disclosure Requirement: Require schools offering an undergraduate non-baccalaureate degree program to disclose, prior to the student's enrollment, the following information: State licensure or certification requirements; pass rate of graduates of the program; job placement rate of students who graduated from the program; and completion rate for students in the program.

- Initial Loan Counseling: Require schools to conduct in-person loan counseling with each borrower prior to release of the first disbursement, emphasizing the seriousness of the repayment obligation.

- Pro-rata Refund Policy: Require high default schools to use a pro-rata tuition refund policy under which schools may retain the percentage of loan funds equal to the portion of the student's program actually completed prior to withdrawal.

- Delayed Disbursement: Require high default schools to delay the loan certification for first-time borrowers so that disbursement will not occur until 30 days after the beginning of the enrollment period.

In addition, very shortly we will be proposing a number of legislative changes designed to reduce Guaranteed Student Loan defaults, several of which will heavily affect proprietary schools.

ADD LOAN COLLECTION COST TO LOAN AMOUNTS DUE

Question: The 1989 Reconciliation Act required that collection costs be added to the loan amounts due. When is the Department going to issue regulations to ensure that this requirement is implemented uniformly?

Answer: A forthcoming Notice of Proposed Rulemaking (NPRM) will require that a guarantee agency charge the borrower for collection costs incurred by the agency in the collection of the loan. We are considering including in the NPRM a detailed list of such costs chargeable to the borrower.

PAY INTEREST FIRST

Question: Why doesn't the Department, as is common banking practice, require interest to be paid first?

Answer: The Department requires interest to be paid first for Perkins Loans, and will convert the collection system for Federally Insured Student Loans (FISL) in June so that interest will be paid first on the outstanding balance for FISL loans. Under current regulations, a guarantee agency is required to apply a borrower's payment first to accrued interest, then to repayment of principal.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

STUDENT LOAN DEFERMENT

Question: For the past 2 years I have been trying to get the Department of Education to provide information on how students can qualify for deferment on repayment of student loans when they serve with community service organizations. So far the Department has failed to provide me specific information on how students can qualify for the deferment.

Answer: In prior correspondence, the Department indicated various means now used to convey this information to borrowers, and also its acceptance of the proposal to set the maximum compensation for volunteers who are eligible for public service deferments at no less than the Federal minimum wage. More specific information will be provided when the proposed regulations are published in July.

Question: Before President Bush comes to the Congress to propose some new program to promote community service, will the Department of Education establish and publish standards for qualifying for loan deferment for community service?

Answer: Yes. The Department will publish in an amended regulation, standards for determining whether community service volunteers are eligible for loan deferments. The regulation will address specific issues raised in prior correspondence, such as how much a student can earn and still qualify for the deferment for community service.

LOAN DEFERMENT CORRESPONDENCE WITH SENATOR BUMPERS

Question: The deferment for community service has been law since 1980, yet the Department has systematically refused to inform students about it. I wrote Secretary Bennett about the deferment on March 24, 1987, asking for information on how one qualifies for the deferment. I wrote again on May 14, 1987; on October 8, 1987; on April 20, 1988; and on June 6, 1988. I wrote to Secretary Cavazos on this issue on March 9, 1989. (A copy of that letter is attached.)

The Senate Appropriations Committee included in the fiscal year 1988 Labor-HHS-Education report (Senate Report 100-189) a directive to the Department to implement the current deferment program. On September 15, 1988, the Senate passed the Stafford Student Loan Default bill which included specific instructions to the Department to inform students about how to qualify for the current loan deferment for community service. On March 17, 1989, the Senate again passed the Stafford Student Loan Default bill including an explicit directive to the Department to inform students how to qualify for the current loan deferment for community service. Despite these efforts the Department has still not informed me--or any students--how they can qualify for deferment for community service. What explanation do you have for the Department's refusal to inform students how they can qualify for the current deferment for community service?

Answer: We have reviewed our correspondence with Senator Dale

Bumpers regarding the deferment for borrowers who serve as full-time volunteers for tax-exempt organizations. The following is a chronological summary of those letters.

STUDENT NOTIFICATION OF LOAN DEFERMENT OPTION

Senator Bumpers' letter to Secretary William Bennett dated March 24, 1987, requested that we take action to increase utilization of this deferment, by publicizing the existence of the deferment and clarifying the eligibility criteria. Senator Bumpers also suggested that the rules governing the Perkins and Stafford Loan (formerly GSL) programs be amended to provide specific information regarding how much compensation a borrower may receive and still qualify for the deferment.

The Secretary responded in a letter dated May 7, 1987. In that letter, the Secretary assured Senator Bumpers that the Department has made information regarding the deferment readily available in regulations, in each borrower's promissory note, and in the principal informational publication issued by the Department on the Federal student financial aid programs (the Student Guide). The Student Guide is updated and disseminated annually to millions of students across the Nation. Lenders, schools, and guarantee agencies also receive information regarding this deferment and other changes in program regulations and policy through meetings, "Dear Colleague" letters, and other official correspondence.

In the letter, the Secretary also agreed to incorporate appropriate changes into our regulations to reflect the revisions that had been made to the VISTA program statute regarding compensation.

MAXIMUM COMPENSATION UNDER LOAN DEFERMENT

Senator Bumpers wrote again on May 14, 1987, outlining specific steps that the Department could take to increase utilization of the deferment. He suggested that we notify program participants that borrowers may receive "pay not exceeding the minimum wage," or establish and disseminate some other specific standard of compensation. Senator Bumpers also asked for the Department's view on S. 759 and S. 760, which he had sponsored.

On August 28, 1987, the Department responded in writing. In that letter, we agreed to provide the public with a specific standard on the maximum compensation a borrower may receive and still be considered a volunteer, through an amendment to the regulations. However, we also indicated that we did not support S. 759 and S. 760, and we later submitted reports to Congress outlining our views. Specifically, we opposed S. 759 because information about deferments and cancellation of repayments was already readily available through existing sources. We opposed S. 760 because it called for the expansion of the deferment when the need for that expansion was unclear.

Senator Bumpers wrote again on October 8, 1987, with suggested revisions to the Student Guide, forms, regulations, and other publications regarding student loans, to indicate that "paid employees," not just those borrowers who serve as unpaid volunteers could qualify for the deferment. Senator Bumpers also suggested

that we delete references to the term "volunteer" and describe the deferment as one available for "paid employees" of non-profit organizations.

Senator Bumpers also urged the Department once again to take steps to promote the deferment, and suggested that each school be required to establish and maintain administrative records regarding utilization of the deferment and to submit reports thereon to the Secretary.

On January 4, 1988, we responded to each of the issues in the October 8, 1987, letter. We stated again that we would address the maximum compensation in the regulations. We indicated that we would continue to inform the student loan community of information related to deferment through our regular dissemination process, and that we would revise our informational materials to reflect our regulatory changes when the proposed regulations were published in final. We did not agree to require participating schools to collect statistics concerning specific deferments. We continue to believe that this would be an unduly burdensome recordkeeping and reporting requirement that would not provide the utilization information Senator Bumpers is seeking, particularly since schools are typically unaware of deferments received by Stafford Loan borrowers.

Senators Bumpers wrote to Secretary Bennett again on April 20, 1988. In this letter, Senator Bumpers acknowledged that we had accepted the proposal regarding the maximum compensation, and that we were incorporating this into the proposed regulations. He offered several recommendations on how those regulations should approach the compensation issue.

In our July 5, 1988 response, we agreed to give careful consideration to the Senator's recommendations as we develop the regulations to implement the Higher Education Amendments of 1986 (Public Law 99-498) and the Higher Education Technical Amendments of 1987 (Public Law 100-50).

COMPENSATION UNDER THE LOAN DEFERMENT OPTION

Senator Bumpers wrote to Secretary Lauro Cavazos on March 9, 1989 stating that the Department has not yet responded to his request that specific guidance be given regarding compensation. He also requested that the Department describe any plans we have for publicizing the deferment and seeking to increase its utilization, and asked for Administration support for his proposal to supplement the current deferment with a partial forgiveness of loans for borrowers who qualify for the deferment.

We believe that current forms and procedures provide adequate information to borrowers of the existence of the volunteer service deferment and that the current deferment provisions are sufficient to ensure that a borrower's student loan obligation does not inhibit him or her from choosing to perform such service.

We are working to revise the regulations to set the maximum compensation at no less than the Federal minimum wage. However, the very high and rising costs of the student loan programs preclude us from supporting legislation such as S. 540 and S. 541 that would

further increase program expenditures by providing for partial forgiveness of student loans in exchange for volunteer service.

MAXIMUM COMPENSATION UNDER LOAN DEFERMENT

Question: The Department has not told students how much they can earn and still qualify for the deferment for community service.

Please provide me information on how much a student can earn and still qualify for a deferment, and please provide the earnings ceiling in terms of the Federal minimum wage. I also need information on what additional fringe benefits a student can receive and still qualify for the deferment.

Answer: The earnings ceiling will be set at no less than the Federal minimum wage. More specific information will be provided when the proposed regulations are published.

Question: Will you provide this information to every student with student loans and every financial aid administrator?

Answer: The Department will revise informational materials such as the Student Guide to reflect our regulatory changes when the regulations are published in final.

Question: When will you revise the Student Guide, which describes Federal student financial assistance programs, to include this information?

Answer: The Department intends to revise the Student Guide shortly after the proposed regulations are published in final. The proposed regulations are expected to be published in July. The Department intends to publish final regulations in December.

HIGHER EDUCATION

QUESTION SUBMITTED BY SENATOR ROBERT C. BYRD

HIGHER EDUCATION FACILITIES

Question: Does the Department have a long-range plan for facilities construction, consolidation, or renovation, and if so, please submit that plan to the Subcommittee? If not, please advise the Subcommittee of any plans for new facilities construction, consolidation, or renovation in fiscal years 1989-1995. Be specific.

Answer: The Department does not have any long-range plan for new loans for facilities construction at colleges and universities under the College Housing and Academic Facilities Loan program. We do not believe there is a specific mission-oriented Federal role for the Department in the construction or renovation of campus facilities. It is our view that facilities construction should be planned and financed directly by colleges and universities. Renovation of older university buildings should also be a part of an overall comprehensive operating budget. Providing direct loans to

universities for general maintenance and construction of physical plants is not a Federal priority. Loans will be made with funds appropriated for 1989. Our 1990 budget only requests appropriations for interest subsidy payments due to the Department of Treasury. No new loans are planned for 1990 and beyond.

DEPARTMENTAL MANAGEMENT

QUESTION SUBMITTED BY THE SUBCOMMITTEE

MANAGEMENT TEAM NOT YET IN PLACE

Question: Mr. Secretary, your management team includes 13 positions -- an undersecretary, three deputy undersecretaries and a number of assistant secretaries and the Director of Bilingual Education. Only three of these positions are now filled. What is the status of efforts to fill the remaining ten positions, and when do you expect to have them filled?

Answer: Presidential appointive positions which were previously announced and now have been confirmed by the full Senate include the positions of Under Secretary, and Assistant Secretary for Legislation. In addition, the White House has recently announced and sent forward to the Senate the nomination to fill the position of the Assistant Secretary for Special Education and Rehabilitative Services. An "intent to nominate" was announced with respect to the position of Commissioner, Rehabilitation Services Administration. This position also is a Presidential appointive position which must be confirmed by the full Senate. The nomination has not yet gone forward to the Senate.

The remaining positions of the management team will be filled by permanent appointments pending White House approval. The Department is uncertain at this time when any further personnel announcements will be made.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Questions: Mr. Secretary, often times, rural States and school systems have a difficult time accessing Federal grant monies. One of the major factors contributing to this difficulty is a lack of expertise in grantsmanship. Because rural communities tend to be poor, and because there is not a strong tax base to leverage State and local dollars, rural schools find themselves in a position of not having State or local dollars to carry out new innovative programs, especially in the areas of computer technology. Consequently, the Federal grant dollars are of critical importance to these rural school districts. What programs does the Department have in place to provide technical assistance and/or training on writing grant applications?

Answer: The provision of technical assistance on grantsmanship to potential grantees supports the Department's overall efforts to fund efficient and effective grant programs. Although the Department does not fund a specific program for providing technical

assistance on grant application writing, individual program offices do provide appropriate technical assistance to their respective applicants, upon request by the applicant. The technical assistance is provided through phone conversations, letters, site visits, regional program and regulations meetings, and sometimes through regional seminars focused directly on grantsmanship. The range of information provided varies, but includes funds availability information, specific program design and regulations requirements, and specifics on preparing the application itself. This would include explaining the various sections of the application, what type of information each section is intended to solicit, key concepts that need to be presented, explanation of required assurances, etc. The type and method will vary, but will always stop short of actually sitting down and helping the applicant design the program and write the application. The provision of technical assistance cannot be given in a manner or in such specifics that a competition would be biased.

Examples of how offices provide such technical assistance follow:

- Indian education: Indian applicants are mostly rural and isolated. Five regional resource and evaluation centers field the many technical assistance requirements of these potential applicants for the formula grant programs. They are prohibited however from providing detailed assistance or help in drafting applications for discretionary programs, due to conflict of interest rules, as the centers themselves are eligible applicants. To provide such assistance for the discretionary programs, the Indian Education Office conducts regional seminars. Recently, such a seminar on application writing was held in Denver with over 3,000 superintendents, principals and school board members of Bureau of Indian Affairs schools in attendance. The cost of the participants' attendance (transportation, hotel and per diem) was paid for by the BIA.)

  Monitoring letters are also used as a means of informing districts. Required by statute to monitor one quarter of all projects each year, the monitoring letter contains site visit findings and spells out for each school where their resource and evaluation center is located and its functions, and invites the schools to seek out the center to overcome program deficiencies. This promotes a direct technical assistance relationship between the center and school. In addition, all application packages contain the name and address of the technical assistance centers.

- Fund for the Improvement of Postsecondary Education: FIPSE uses a two-step process in the competition for their comprehensive program. Applicant IHE's, non-profit organizations, community-based organizations, libraries, and museums submit a 5 page pre-application. Last year over 2,000 pre-applications were received. The pre-applications are reviewed in FIPSE for program substance and ideas, not technical polish, and 270 were then contacted and invited to submit full proposals. These 270 applicants then receive technical assistance

through feedback from FIPSE via phone and written comments emphasizing the pre-application strengths, explaining where weaknesses exit, and how to correct them. The technical assistance results in direct exchanges between the Department and the applicant on the development of the proposal. As a result of this type of application process and follow-up technical advice, each year approximately 40 percent of the project directors on new grants are first time recipients of Federal funds. Last year 70 applicants were ultimately funded. Unsuccessful applicants are encouraged to resubmit in the next round.

- Bilingual Education: The type of technical assistance provided to applicants of Bilingual Education programs is representative of the type of grantsmanship technical assistance provided by many of the Department's program offices. The technical assistance is largely provided to unsuccessful applicants following the application process. In many cases, potential grantees must first invest the effort and time to apply, and then, if unsuccessful, request the peer review comments from the application evaluation process. The provision of such information, upon request, is automatic. Field reader comments are sent, and phone calls and sometimes meetings provide additional follow up. The aim is to provide the type of information to the unsuccessful applicant that will enable them to become more competitive and potentially successful applicants in the next competition.

  In Bilingual Education, the State program does provide funds to the SEA which can give technical assistance to LEA applicants. This can be a close and immediate source of assistance to applicants when effectively used; however, often the SEA does not have staff qualified to advise the LEA. It is the largest States that tend to have the budget to hire staff experienced in grantsmanship, and therefore, have a high rate of successful applications. Rural States often lack the number of staff and staff experience to provide such technical assistance and to gain a high rate of success in Federal grantsmanship. Lacking the experience of such States as California, New York, Texas, and Florida, the smaller States become more dependent upon the post-application feedback from the Department to increase their grant competitiveness.

Question: Does the Department feel that sponsoring seminars on the availability of grant monies and on writing grant applications would be beneficial to school districts in general and disadvantaged rural school districts in particular?

Answer: The Department of Education is in the process of developing a "combined application notice" for all departmental competitive grant programs. To be published this fall (expected date, September 15, 1989) in the Federal Register this combined notice will be the Department's first comprehensive grant competitions notice. The notice will contain comparable information, such as application deadlines, eligible applicants, program and purpose, department contact, etc., for each program

competition. Currently program offices publish a separate notification for each of the grant competitions they administer.

A single notification should greatly facilitate the flow of information on grant funds availability to smaller school districts and colleges and universities, and to rural areas, where administrators and personnel bear multiple responsibilities with less time to devote to each, such as tracking grant competition announcements.

Seminars on writing grant applications also can be a beneficial means of disseminating information on grant funds availability and on preparing grant proposals, but such an approach requires the potential applicant to travel to the seminar site. For the more rural areas, or financially strapped districts or institutions, the time and expense required to attend could prohibit such participation. To the extent that poorer districts don't attend, there could be the negative effect of simply reenforcing the grantsmanship skills of those who do have notice, staff time, and budget sufficient to attend such seminars, putting an even greater competitive disadvantage the poorer, often rural, applicants.

To the extent that wide participation in such seminars can be assured they are an efficient means of providing information. The Director of the Indian Education Program, for example, recently conducted a grantsmanship workshop in Denver for all superintendents, principals, and school board members of Bureau of Indian Affairs operated schools. Nearly 3,000 individuals attended the workshop. Such a high attendance rate is evident of the interest and need for such workshops, and was possible in great part because the Bureau pays the travel expenses, hotel and per diem costs for these participants.

Question: What can be done at the Federal level to help schools become more competitive for Federal grant dollars?

Answer: The Department utilizes a variety of approaches to provide technical assistance to applicants to make them more competitive for Federal grant dollars. Receiving notice is the first step in becoming competitive and the Department will issue its first combined application notice in the Federal Register this fall, in which all competitions will be listed and indexed in a single issue of the Federal Register. This will eliminate the normal year long process of monitoring each issue for separate grant competitions as they are announced. Copying this combined notice and disseminating it broadly, particularly to smaller States, districts and to rural areas will further expand such notice.

The technical assistance currently provided to grant applicants takes many forms, but predominatly relies on post-application feedback. Such assistance, when requested by the applicant, is immediate and can, if used effectively, increase the future competitiveness of the applicant. Seminars, phone and written communications, and meetings are used by some programs to provide pre-application assistance, but it varies by program, runs the risk of providing a competitive edge to those applicants who are informed and can attend such meetings, and must be general enough in scope to avoid biasing a competition.

Guaranteeing sufficient travel funds to Department program offices to attend meetings on grantsmanship is also a factor in increasing applicant competitiveness. For example, staff with the Fund for the Improvement of Postsecondary Education frequently receive requests from institutions of higher education to attend grantsmanship workshops. Colleges and universities typically host such workshops and invite representatives from all Federal offices sponsoring grant competitions, such as the National Endowment for the Humanities and the National Science Foundation. FIPSE often is unable to attend due to low travel budgets, thus, losing the opportunity to assist the pool of potential applicants in improving the quality of their proposals.

Some programs through the application process seek specifically to help applicants become more competitive. FIPSE utilizes a two-step "pre-application" and "formal" application process for its comprehensive program. Technical assistance is provided directly to applicants that submitted promising pre-applications. This assistance results in stronger, more competitive formal applications for those pre-applicants who are screened and requested to resubmit formal applications. In addition, the Bilingual Education program gives an "additional points" advantage to first-time applicants. Both the FIPSE and Bilingual Education grant application processes, therefore, encourage and are supportive of first-time applicants for Federal funds, who may not yet have the technical polish to compete successfully on technical merit alone.

Efforts to enhance competitiveness for Federal grant dollars; such as through assistance in increasing application grant writing skills, does not always result in better projects. Assistance also must be devoted to assuring that projects proposed in successful applications are then successfully implemented, since application writing skills do not translate automatically into program administration skills. The Congress may have recognized this when establishing in the authorizing statute for some programs, such as HEP and CAMP, that previously successful applicants have a competitive edge. It may be desirable in some programs to widen the field of applicants; others may require more experienced applicants for the most effect program administration. In general, however, the Department seeks to broaden competitiveness among applicants and to expand the number and type of recipient of Federal education grant funds.

OFFICE FOR CIVIL RIGHTS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CIVIL RIGHTS ENFORCEMENT

Question: Mr. Secretary, one of the largest percentage increases in your budget request is for the Office for Civil Rights. I am very concerned about your level of effort in the area of Civil Rights enforcement. Since the passage of the Grove City Restoration Act, your case backlog has grown. The majority of these cases are in the area of discrimination on the basis of disability. Yet while you are asking for more money to address these issues in 1990, you have let the staffing level in the Civil Rights Office fall to the lowest level in its history!

I don't know how to view the sincerity of your budget request. The Administration has let funding lapse in the Civil Rights Office in each of the last eight years. Do you expect to again lapse funds in 1989?

Answer: In FY 1988 OCR lapsed only $62,000 that was not required by law to lapse. This represented .15 percent of OCR's FY 1988 appropriation. With the 1.2 percent across-the-board cut included in Section 517 of the FY 1989 Appropriations Act and required absorption of the 4.1 percent pay raise, OCR will not lapse any measurable amount of funds in FY 1989. In fact, it is because of these severe budget constraints that OCR will be unable to hire staff to reach its 1989 ceiling of 820 FTE.

While OCR complaint receipts have gone up since the passage of the Civil Rights Restoration Act, it does not have a backlog. The 1,404 cases pending at the end of FY 1988 reflect the fact that a single complainant filed 1,200 complaints (34 percent of the total) in the last four months of FY 1988. These cases primarily alleged sex discrimination in student health insurance programs of colleges and universities.

Notwithstanding the increased complaint receipts, OCR has met the Adams timeframes 95 percent of the time for the last 17 months--from October 1, 1987, to March 31, 1989. The number of pending complaints on March 31, 1989, was 907, a 35 percent reduction from the number on hand at the end of FY 1988.

HOUSE COMMITTEE REPORT ON EDUCATION CIVIL RIGHTS ENFORCEMENT

Question: The House Education and Labor Committee recently released a staff report which argued that the Department has deliberately lessened its enforcement efforts in the Civil Rights Office. Interviews with the regional staff of the Civil Rights Office revealed that while the Department is speeding up the time it takes to investigate complaints, it is doing so by limiting the scope of their investigations. Mr. Secretary, can you assure this Committee that each complaint is being thoroughly investigated?

Answer: OCR investigates every complaint it receives over which it has jurisdiction. The statement indicating that the scope of investigations is being improperly narrowed is unsubstantiated, and no such allegation was ever made to the Court by the Adams plaintiffs. I can assure the Committee that OCR will continue to investigate thoroughly all complaints over which it has jurisdiction.

Question: I know that the Department takes exception with many of the findings of the Education and Labor Committee staff report. Would you please respond for the record to each of the 24 major findings of the report?

Answer: A letter from the former Assistant Secretary for Civil Rights, LeGree S. Daniels, dated November 7, 1988, and printed in the staff report, stated that the report is replete with inaccuracies and misconceptions. For example, it indicates that OCR is not investigating complaints of racial discrimination. This is a criticism that was never made by the Adams plaintiffs to the court because they knew that OCR cannot control who files what kind of complaint. In fact, OCR has received fewer complaints of racial

discrimination than of handicap discrimination. Regardless of the type of complaint filed, OCR investigates all complaints over which it has jurisdiction.

In general, the staff report reflected a misunderstanding of OCR's operations. OCR has formed a Management Review Team which is visiting the regional offices. The preliminary reports of the team are more useful than the Committee's staff report in pinpointing the possible need for procedural changes. The team's final report is due this summer at which time OCR will carefully consider the staff recommendations along with its own internal management review.

SPECIAL INSTITUTIONS

HOWARD UNIVERSITY

STATEMENT OF JAMES E. CHEEK, PRESIDENT

PREPARED STATEMENT

Senator HARKIN. We will now hear from Howard University, Gallaudet University, the National Technical Institute for the Deaf, and the American Printing House for the Blind.

If those representatives want to take the table, I will be right back.

Senator HARKIN. The fiscal year 1990 request for Howard University is $184,904,000. Howard University has 18 schools and colleges, maintains a comprehensive program in undergraduate level arts instruction, and offers programs at the undergraduate level. Dr. James Cheek is president of Howard University, and will be testifying today. Your statement will be made a part of the record in its entirety. I would ask you to summarize your statement Dr. Cheek, and welcome to the subcommittee.

[The statement follows:]

STATEMENT OF JAMES E. CHEEK

On behalf of the Howard University community and the Department of Education, I am pleased to appear before you to present the Federal appropriation request for Howard University for fiscal year 1990.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals.

The University is requesting a Federal appropriation of $184.9 million for fiscal year 1990, an increase of $5.9 million or 3.3 percent over the appropriation for fiscal year 1989. These increased funds will provide partial support for the continuation of current activities in the academic programs of the University and expansion of the matching endowment program.

No increases for the research appropriation or the Howard University Hospital are part of this request.

ACADEMIC PROGRAM

A Federal appropriation of $156.8 million is requested for the academic program, an increase of $5.4 million or 3.6 percent above the fiscal year 1989 appropriation level. These funds will be used to continue the University's effort to address serious accreditation deficiencies in the various schools and colleges, including additional faculty, and to provide a small increase in faculty salaries, which continue to be among the lowest in the region.

ENDOWMENT PROGRAM

The sum of $2.5 million is requested for the matching endowment program, an increase of $482,000 over the 1989 appropriation level, which included a reappropriation of approximately $494,000 from the previous year.

In recognition of the need to increase non-Federal revenue sources, the University Board of Trustees has appointed a Comprehensive Fiscal Plan Committee with responsibility for identifying new sources of financial support for the University.

The University strongly supports any proposed Federal legislation to increase the Federal match component of the endowment program.

RESEARCH

The University's research appropriation request is $4.7 million, which is the same as the fiscal year 1989 appropriation. These research funds will support the continued progress of our graduate and professional programs.

HOWARD UNIVERSITY HOSPITAL

The fiscal year 1990 request for Howard University Hospital is $20.9 million, which is the same as the 1989 appropriation. The Federal appropriation for the Hospital will help support the increased costs of operating the Hospital along with patient and third party revenues.

I express the deep appreciation of the Howard University community to the Subcommittee for its support in past years and our desire for your continuing support in the future.

I will be happy to answer questions that you or members of the Subcommittee may have concerning our request.

BIOGRAPHY OF JAMES EDWARD CHEEK

Position.—President, Howard University.

Birthplace and date.—Roanoke Rapids, North Carolina, December 4, 1932.

Education.—Shaw University, Raleigh, North Carolina; B.A., 1955; Colgate-Rochester Divinity School, Rochester, New York; Master of Divinity, 1958; and Drew University, Madison, New Jersey; Ph.D., 1962.

EXPERIENCE

1969 to present.—President, Howard University, Washington, D.C.

1963 to 1969.—President, Shaw University, Raleigh, North Carolina.

1961 to 1963.—Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia.

1960 (summer).—Visiting instructor in Christian History, Upsala College, East Orange, New Jersey.

1959 to 1961.—Instructor in Western History, Union Junior College, Cranford, New Jersey.

1959 to 1960.—Teaching assistant in Historical Theology, Drew Theological School, Madison, New Jersey.

HONORS AND RECOGNITIONS

Doctor of Humanities, Shaw University. 1970; Doctor of Humane Latters, Trinity College, 1970; Doctor of Laws, North Carolina Agricultural and Technical State University, 1971; Doctor of Laws, Drew University, 1971; Docteur Honoris Causa, l'Universite d'Etat d'Haiti, 1972; Doctor of Education, Providence College, 1972; Doctor of Laws, Delaware State College, 1972; Doctor of Humanities, University of Maryland, 1975; Doctor of Divinity, Bucknell University, 1975; Doctor of Laws, New York Institute of Technology, 1980; Doctor of Laws, University of North Carolina, 1981; Doctor of Humane Letters, Duke University, 1982; Doctor of Humane Letters, Fisk University, 1984; and Doctor of Humane Letters, Florida Memorial College, 1986.

Awards.—Colgate-Rochester Graduate Fellow, 1958; Lilly Foundation Fellow, 1958 and 1959; Rockefeller Doctoral Fellow, 1960; and Recipient of the Presidential Medal of Freedom, 1983.

OPENING STATEMENT

Dr. CHEEK. Thank you very much, Mr. Chairman.

On behalf of Howard University and the Department of Education, I am pleased to appear before the subcommittee to present the Federal appropriation request for Howard University for fiscal year 1990.

From my prepared testimony, I will draw the subcommittee's attention to just two paragraphs. The University is requesting a Federal appropriation of $184.9 million for fiscal year 1990, which is an increase of $5.9 million, or 3.3 percent over the appropriation for fiscal year 1989.

These increased funds will provide partial support for the continuation of current activities in the academic programs of the university, and expansion of the matching endowment program.

The Federal appropriation, in the main, is for the academic program, which consists of $156.8 million, which is an increase of $5.4 million, or 3.6 percent above the fiscal year 1989 appropriation level.

The remaining increase of almost $500,000 is for the matching endowment program.

Mr. Chairman, I appreciate this opportunity, and will answer any questions that you may have now or later for the record.

REDUCING DEPENDENCY ON FEDERAL FUNDS

Senator HARKIN. Dr. Cheek, the administration is asking for a 66-percent boost in our annual contribution toward your endowment. The budget material submitted with that request notes that increased funding for your endowment will enable Howard to reduce its dependency on Federal funds.

Do you foresee a time in the near future when you will not be requesting annual increases in your Federal appropriations, due to the strength and income derived from your endowment?

Dr. CHEEK. Mr. Chairman, unfortunately, I do not in the near future. I think that, as a long-term objective, this is something that should be pursued. But, clearly, it is unrealistic, given our current funding level, in relation to the nature of the job that we are required to do, that we could forego seeking additional increases, and have the deficiencies made up by income from the matching endowment program.

ALUMNI GIVING

Senator HARKIN. Dr. Cheek, Howard University has every reason to be proud of the accomplishments of its alumni. However, as this committee has pointed out before, the University could probably do a better job of tapping its alumni for annual charitable contributions. I know that you have enhanced your efforts in this area. Can you report to us on your annnual revenue from your alumni to date?

Dr. CHEEK. It is approximately $2 million for fiscal year 1988, and I should state to you, Mr. Chairman, quite candidly, we regard that as very inadequate, and we are taking steps to correct that.

I think this is an area that does have tremendous potential for additional revenues, particularly for raising funds to supplement the financial aid program.

PROGRESS IN RAISING MATCHING ENDOWMENT FUNDS

Senator HARKIN. The authorizing statute for your endowment grant program requires the university to match all Federal appropriations to the endowment. Yet, the president's budget material shows that the university has yet to generate the necessary matching funds for $1.8 million that this committee appropriated prior to 1989.

Last year we appropriated an additional $1.5 million to your endowment, which has yet to be matched. How can we justify boosting the endowment contribution by 66 percent next year, when the university has not yet matched much of our previous contributions?

Dr. CHEEK. Mr. Chairman, we think that if the reauthorizing legislation were to contain some provisions that would make the matching endowment more attractive to larger donors we would be far more successful in being able to match this.

We do have on hand, incidentally, a $1 million gift, which we have not yet reported to the Department, that is available for matching. We received this just a few weeks ago.

Right now, some of the restrictions on the way in which the endowment can be used frankly, are not attractive to large givers, because they restrict 50 percent of the income to be available. A $1 million donor does not want his or her contribution to the university restricted in that manner.

We are trying to have OMB, along with the Department of Education, draft language that will make the matching endowment much more marketable to the kinds of donors we have been seeking recently.

SIGNIFICANCE OF APPROPRIATIONS DECREASE

Senator HARKIN. Finally, Dr. Cheek, a more generalized question.

The budget submitted to us by the administration argues that the increase provided for in the President's budget reflects the administration's commitment to improving educational opportunities for minorities and the disadvantaged. You are also aware that just last week the administration simultaneously proposed to cut all funding for discretionary education programs, including Howard University.

This is a 1.1 percent across-the-board cut. The result of that request, if we were to honor that request, would be to cut $2 million from the amount already appropriated for Howard—already appropriated. This is a recision. This is taking the money back. What would that mean to Howard University, and what might it mean to higher education at your facility?

Dr. CHEEK. Mr. Chairman, I think that would be quite unfortunate if that were to happen. Clearly, it would be a contradiction to the commitment. It would have a realistic impact on an institution that is already underfunded in comparison with its peer institutions, and by peer institutions, I do not mean historically black. I mean institutions that are comprehensive, research-oriented universities, many of which receive substantial sums of Federal support through means other than a direct Federal appropriation.

There are many private universities that receive as much as 40 to 45 percent of their current operating funds from Federal sources through grants and contracts.

It also would, I think, send a signal to this country that would be very, very bad at a time when we are being told that we are facing a crisis with respect to the participation of minorities in education and in other aspects of American life.

That means we are moving backward, and not forward. I would urge that that proposal not be supported, and, of course, I will do everything that I can to try to influence a different kind of recommendation.

Senator HARKIN. Thank you very much. That is a great statement. I appreciate that very much.

Dr. CHEEK. Thank you.

GALLAUDET UNIVERSITY

STATEMENT OF I. KING JORDAN, PRESIDENT

PREPARED STATEMENT

Senator HARKIN. Now, we will move to Gallaudet. I want to say good morning to Dr. Jordan, and to welcome you here to the subcommittee's hearings on education.

You and I have met many times to discuss the future of Gallaudet University. I must say that I am very, very happy with the progress so far, and I look forward to working with you in the future on those issues of concern to Gallaudet University.

So again, I am very happy, and very proud that you are the president of Gallaudet. Again, welcome. Your full statement will be put in the record. So, if you would please just summarize.

[The statement follows:]

STATEMENT OF I. KING JORDAN

I am very pleased to come before you today after one year as President of Gallaudet University. This year has been one of the most important in the history of Gallaudet and the deaf community in the United States. This week marks the anniversary of the events at Gallaudet that led to my appointment as the first deaf president in the history of the world's first collegiate program for deaf students. Much has been accomplished during my first year as president, and much of that success was achieved because of the generosity of the United States Congress. However, much remains to be done, and I am confident that, with the continuing cooperation and support of the Congress and the Department of Education, we will be able to achieve our goals and fulfill our mission. That mission continues to be, as it has been, to provide the best possible higher education to deaf students in our university programs, to provide the best possible national demonstration programs in our elementary and secondary schools, to be a world leader in research related to deafness, and to conduct outreach and advocacy programs to improve the lives of deaf people of every age, with all degrees of hearing loss.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals.

I testify today in support of the budget for Gallaudet University. The level of funding proposed would allow us to continue moving toward our goal of making our faculty and staff compensation programs competitive with local and national markets. With projected increases in non-appropriated revenue, we will be able to establish some long awaited and much needed new programs. I also note that this marks the first anniversary of another auspicious event in the history of the education of deaf people in this country--the release of the report of the Commission on Education of the Deaf. The work of this Commission is already beginning to have a major positive impact on the quality of education for deaf students. In my report today, I will share with you our efforts to implement the Commission's important recommendations.

The past year has been one of excitement and accomplishment at Gallaudet. In addition to my inauguration as the first deaf person and the first holder of a Gallaudet bachelor's degree to serve as President, we have launched major initiatives in the areas of affirmative action and program growth. In particular, it is my intention that new graduate programs in clinical psychology and social work be fully initiated. I anticipate that the Master of Social Work program will be in operation in the fall of 1989. Program development for the Ph.D. in clinical psychology is proceeding with a projected start-up date of the fall of 1990, pending faculty approval. In addition, we will be initiating a new Ph.D. program in the education of the hearing impaired and an

associate of arts degree in medical records technology. Finally, we will be establishing a Center for Excellence in Learning and Teaching. The funding level proposed in the fiscal year 1990 budget, together with anticipated increases in non-appropriated revenues and continuing introduction of efficiencies, will allow us to launch these programs as well as to provide needed improvements in our faculty and staff compensation systems.

During the past fiscal year we have also met with representatives of the Department of Education and the National Technical Institute for the Deaf in order to establish a new agreement on tuition charges. We have entered into a three-year agreement that will keep Gallaudet and NTID equivalent to the upper range of the land grant institutions during that period. In addition, both institutions will be introducing increases for student housing fees, and, at Gallaudet, we will be reestablishing a 50% tuition surcharge for international students. These measures should lead to substantial increases in our non-appropriated revenue and to a corresponding decrease in our dependence on the Federal Government.

I mentioned earlier that we have been working to implement recommendations of the Commission on Education of the Deaf, and I touched on some of our efforts in my preceding remarks without specifically identifying them. In particular: (1) We are introducing a new affirmative action plan for hiring and promotion; (2) our Board of Trustees has adopted a resolution that will lead ultimately to a deaf majority on the Board; (3) we have increased the tuition surcharge for international students; (4) we have developed detailed research plans and have submitted them to the Department of Education for review; and (5) we are improving the outreach and dissemination activities of our Pre-College Programs.

University Programs

The focus in our University programs in fiscal year 1990 will again be upon excellence--excellence in teaching and excellence in student performance. In order to promote this theme, as I stated earlier, we will be establishing a Center for Excellence in Learning and Teaching. This Center will draw together resources from around the University dedicated to the support of quality instructional programs.

In addition, in the fall of 1989, we will be establishing a Master of Social Work program which will train much needed professionals to supply social services to deaf people. Gallaudet will also continue development of a Ph.D. program in clinical psychology in order to meet the needs of hearing impaired people in the area of mental health services. Our faculty has also identified program needs in two additional areas--a terminal degree program for educators of the hearing impaired and an associate of arts degree program in medical records technology to be housed in the School of Preparatory Studies.

In the areas of research and outreach, I am committed to programs designed to meet the needs of expanding constituencies. Gallaudet will continue to seek funding for expansion of these programs from sources other than Federal appropriations. However, I

believe that in order for Gallaudet to maintain quality programs in these areas on an ongoing basis, we need to retain a funding base anchored in our appropriation.

Model Secondary School for the Deaf and
Kendall Demonstration Elementary School

A unique feature of Gallaudet University is the existence of its two pre-college programs--The Model Secondary School for the Deaf and the Kendall Demonstration Elementary School. Both schools continue to develop exemplary instructional programs, conduct research and develop and disseminate materials for both mainstream and special school settings. During fiscal year 1989 and continuing into fiscal year 1990, pre-college programs will be upgrading and expanding their dissemination and outreach activities. These efforts include expanded market research, development of new brochures and catalogues, and appointment of a Director of Outreach Services.

Endowment Matching Program

Under my administration, Gallaudet remains committed to increasing the proportion of funding that comes from sources other than direct appropriations. Since September of 1986, total endowment funds have increased from $9.4 million to $16.3 million. The endowment matching program has proved very useful to us in convincing potential donors to support us financially, and during the first two years of its existence we were able to match the available funds. We look forward to the continuing challenge of increasing our endowment funds.

Fiscal Year 1990 Budget

The $68.85 million in the budget for Gallaudet University includes an increase for operations of $2.34 million. These funds will be used for compensation improvements. In addition, we will be establishing or continuing development of several new instructional programs. Also requested is an increase of $12,000 in the endowment matching program that would bring it to $1 million. Finally, $500,000 is requested for program evaluations.

Mr. Chairman, I thank you for this opportunity to come before you today, and I welcome your questions.

BIOGRAPHY OF I. KING JORDAN

POSITION : President, Gallaudet University

BIRTHPLACE
AND DATE : Glen Riddle, PA - June 16, 1943

EDUCATION : University of Tennessee, 1973, Ph.D. Psychology
University of Tennessee, 1971, M.A. Psychology
Gallaudet College, 1970, B.A. Psychology

EXPERIENCE (Gallaudet)		
PRESENT	:	President, Gallaudet University, Washington, D.C.
1986-3/7/88	:	Dean, College of Arts and Sciences
1983-1986	:	Chair, Department of Psychology
1982-1988	:	Professor of Psychology
1977-1982	:	Associate Professor of Psychology
1973-1977	:	Assistant Professor of Psychology
HONORS AND AWARDS	:	President Bush's Transition Committee for the Appointment of Persons with Disabilities, 1989
	:	Delaware County Chamber of Commerce Outstanding Achievement Award, 1988
	:	Task Force on the Rights and Empowerment of Americans with Disabilities, 1988
	:	Faculty Member of the Month, Gallaudet University Student Body Government, 1987.
		United States Comptroller General's Award, 1987.
HONORS AND AWARDS		
		Outstanding Young Men of America, 1975.
		National Defense Act, Title IV Fellowship, University of Tennessee, 1973.
		University of Tennessee Non-Service Fellowship, 1971.
		Graduated "With Distinction," Gallaudet College, 1970
		Phi Alpha Pi Honorary Society, 1969.

Dr. JORDAN. Summarize?

Senator HARKIN. Summarize. Summarize your statement. Thank you.

OPENING STATEMENT

Dr. JORDAN. Thank you very much, sir. I am equally glad to be here. I admit I am equally glad to be president of Gallaudet University. [Laughter.]

I owe that in large measure to you, and your support for Gallaudet. I want to say I am particularly happy to see you as chair of this very important subcommittee. We are all very familiar with

your commitment of long standing to education and to people with disabilities. You are considered a very dear friend of deaf people. That is especially true.

Much has happened at Gallaudet during the last year, and much of that has been due to the generosity of the Congress. We appreciate that very much.

I will be brief, sir. I know what time it is. The administration budget request for Gallaudet University for fiscal year 1990 is for $68.85 million. This includes an increase for operations of $2.34 million, and $12,000 additional for the matching endowment program that will bring the amount for the endowment matching grants up to $1 million.

We have matched the full amount both the first and the second year of the endowment program. The first year was $957,000. The second was $988,000. We matched both and have more than $700,000 committed toward the $1 million we hope will be appropriated for fiscal year 1990.

The budget request also includes $500,000 for a Department of Education evaluation of Gallaudet programs.

Thank you very much for the opportunity to come before you today, sir, and I welcome your questions.

EXCELLENCE INITIATIVE

Senator HARKIN. Dr. Jordan, in the interest of time, I will let the interpreter do the interpreting.

One of the themes that you have been promoting as president of Gallaudet is excellence. I was enthralled by your speech at your investiture as president of Gallaudet in which you talked about excellence.

The whole issue of excellence is one of compelling urgency to us today in a world of changing technologies.

Students can no longer afford to simply make the grade, but must excel, if we as a Nation are to be competitive in today's world market.

What steps are you taking to ensure that your graduates are appropriately prepared for professional work, or for even further education beyond the university level?

Dr. JORDAN. If I may, I would like to answer generally, first, and that general response will be related to consequences of the events of 1 year ago.

One of the things that has happened as a result of those events is that the level of expectations has changed at Gallaudet, and for and among deaf people around the world.

It used to be that excellence, frankly, was not a realistic goal. Getting by was a sign phrase that was used at Gallaudet. Now, we have a new and higher level of expectation. And we believe we can achieve at that level. We and the faculty will demand that students achieve at a higher level.

I have taken a number of very specific steps to help push programs for excellence. Many of the steps are in areas of academic support programs. For example, academic advising used to be simply an add-on responsibility for faculty at Gallaudet.

In addition to teaching, they advised students in their spare time. We have installed a new program called Professional Academic Advising, where people are hired, trained, and work full time just providing academic advising to students.

We plan to pull together all of the resources related to academic support in a new center called the Center for Excellence in Learning and Teaching [CELT]. That center will provide both a physical and a philosophical locus for students to get the kind of reading, writing, and tutorial support services that they need to improve their work in the classroom.

We are involved in a very real effort to look at establishing higher standards in classes and measuring student outcomes. We have been lacking in that area.

We now have a group of faculty who are training in the ways to develop these higher standards. They will also look for ways to measure student outcomes.

IMPORTANCE OF ROLE MODELS

Senator HARKIN. I might also add, and I know you are too modest to say this. But I think one of the stimuli for students to aspire to things beyond just the normal educational level are role models. And you have, indeed, provided that kind of role model to deaf students all over the world.

They now know they can achieve those higher goals, and they can achieve that kind of excellence, because of the example that you have set. I want you to know that your stock is very high here in the Congress, Dr. Jordan. Please take advantage of it.

Dr. JORDAN. I want to follow up on that. I am not the only role model, and that is a very important point. Affirmative action is very, very important to me at Gallaudet University.

We have a very hardworking affirmative action task force that right now is putting together a package and a report that will result in an affirmative action plan that will lead to more and more professional-level deaf people at Gallaudet. Around the country, those role models are more important than we can possibly say. You are right in this.

SALARY AND BENEFIT INCREASES

Senator HARKIN. Well, leading into this, your fiscal year 1990 budget request includes an increase of $2.34 million to provide salary improvements for faculty and staff.

I understand that salary and benefit levels at Gallaudet are not competitive with universities in this area. How serious is the threat of losing valuable faculty and staff or not being able to hire those qualified persons that you need?

Dr. JORDAN. Recruiting and retaining excellent faculty is a very high priority, and it is a serious threat. As long as we rank below other area institutions, we could have problems retaining faculty.

When I came before you last year, we estimated that we were eighth out of eight area universities. Dead last. The Congress was very generous to me last year, and we moved up to sixth. This $2.34 million would allow us to stay at that level.

If other universities award about a 5-percent increase, which is what the indications seem to suggest, then I doubt that we will be able to move up above sixth among the area institutions.

My long-range goal is to be at the middle of the area institutions.

EVALUATION STUDY

Senator HARKIN. Your budget requests $500,000 to pursue a comprehensive, programmatic evaluation of Gallaudet University programs. I understand the study will actually be handled by the Department of Education but will require additional staff work by Gallaudet.

Has the Department of Education been in consultation with you to discuss this evaluation?

Dr. JORDAN. With respect to the evaluation to date, the only thing that has happened is for a number of names to be suggested to serve on a panel of experts. We have consulted with respect to those experts who are supposed to design the questions that the study will pursue.

But your point about the resources necessary to support an evaluation like this is very well taken.

When any evaluation is done by an external group, most of the data gathering and the pulling together of information happens within the institution. So I have some concerns about an appropriation of $500,000 to the Department of Education with no additional funds for Gallaudet University to support an external evaluation.

OUTREACH PROGRAM

Senator HARKIN. That is what I am worried about, that you will do all the work, and they will get all the money. I am concerned about that.

Dr. Jordan, Gallaudet University serves over 46,000 people in 43 States through its outreach program and regional centers. I do not think very many people are aware of that. I think people think of Gallaudet University as being in Washington, DC, and students go to school there and move on. But you have an outreach program, as I said, serving 46,000 people in 43 States.

I know that literacy is a major concern. We know about adult illiteracy among our deaf population, and also that you will be working to improve the literacy levels through your outreach program.

Could you tell the subcommittee what you hope to accomplish through your outreach program and the regional centers, other than the efforts to improve literacy? We know that is a major concern, but what other things will you be doing besides improving literacy?

Dr. JORDAN. I am happy to respond to that, sir.

First, I may add that the 44,000 figure is the number of people who are reached by the eight Gallaudet regional centers in the United States, which include the Washington, DC center at Kendall Green.

We have a regional center in Honolulu, HI, which served approximately 2,000 persons, so the total number of individuals who are touched by our outreach efforts comes to about 46,000. We also

have two contractual agreements with a University in Costa Rica, and the University of Puerto Rico.

In addition, our pre-college programs have five educational resource centers for the deaf that are located in five different State schools for the deaf.

The regional centers really have a two-prong purpose. One is to provide community education services for deaf people, and one is to provide services for people who work with deaf people.

One very significant role that they play is what we call training the trainers. The result is that every time a workshop is conducted and say, 15 people are trained, they then go out and have the ability and the experience to train 15 more. So, there is a ripple affect, and the number of people who are actually reached grows significantly.

Right now I am working very closely with Dr. Castle to develop ways to address the problems of lower functioning deaf people who do not qualify to go to regular postsecondary educational programs. We are trying to design a way in which we can reach out to the low-functioning deaf adults—not just in literacy, but in all areas of their lives—to make them productive and contributing citizens.

ENROLLMENT LEVELS

Senator HARKIN. The budget justification notes that enrollment at the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School will increase next year. To what do you attribute this increase in enrollment?

Do you have any idea why they suppose the enrollment is going up by the amount they say?

Dr. JORDAN. These were old projections and overly optimistic. We now feel the situation has changed. I do not anticipate an increase in enrollment in MSSD or Kendall School next year. The Kendall School is currently enrolling just under 200 students, and I expect that they will enroll about 200 next year.

The Model Secondary School for the Deaf is just under 350 students, if you include the preparatory education program, and I expect that they will enroll about the same number next year.

FOREIGN STUDENT TUITION NEGOTIATIONS

Senator HARKIN. Well, I may be in error on that.

You and I have discussed in the past, negotiations with the Department of Education on the admission of foreign students, and the appropriate amount of tuition for these students.

I can only assume that those negotiations are ongoing. Are you reaching some kind of an agreement there?

Dr. JORDAN. The negotiations are continuing, sir. This year we are increasing the surcharge that we charge to international students from 20 percent to 50 percent. For the fall of 1989, these students will pay an additional 50 percent tuition.

FOREIGN STUDENT ENROLLMENT LEVEL

Senator HARKIN. How many foreign students do you have at Gallaudet now?

Dr. JORDAN. As of our fall semester, the number was 286.

Senator HARKIN. I do not think very many people realize the high number of foreign students that you have at Gallaudet. My interest, as you know, goes back a few years. We do not want to discourage foreign students from coming here. Not at all. In many cases, these students are subsidized by their respective governments, and I think it is incumbent upon those respective governments to pay a fair share of the education of those students at Gallaudet. And that is why I am glad the negotiations are ongoing.

Dr. JORDAN. They are ongoing, and I cannot leave this topic without repeating to you my very strong commitment to our international role, and remind you that our students come from 40-some different countries all around the world. Some of those countries are developing countries; it may be very difficult for them to come up with higher levels of tuition.

Senator HARKIN. Well, in those regards I would hope that, just as we do for low-income or disadvantaged students in this country, appropriate kinds of adjustments are made so that if they do come from a Third-World country, they will not have to pay. But if they come from one of the wealthier countries, they should pay.

Well again, Dr. Jordan, thank you very much for your excellent leadership, and as I said, we look forward to working with you to ensure the continued success of Gallaudet.

Dr. JORDAN. Thank you, sir.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF WILLIAM E. CASTLE, DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF; VICE PRESIDENT, GOVERNMENT RELATIONS, ROCHESTER INSTITUTE OF TECHNOLOGY

PREPARED STATEMENT

Senator HARKIN. Next, we will go to the National Technical Institute for the Deaf.

I have long been concerned over the number of unserved deaf adults, who, for one reason or another, have fallen through the cracks and, because they have not received services, are either unemployed or underemployed.

It is estimated that 7,800 hearing-impaired students graduate from high school reading at only a third-grade level. Recent research conducted by the National Technical Institute for the Deaf found that the unemployment level for hearing-impaired high school graduates that do not go on to Gallaudet or a postsecondary school is 18.6 percent.

Further, NTID found that 91 percent of deaf high school graduates need additional education and training before they can find employment.

This is, indeed, a staggering figure, and it is one which concerns me and concerns this subcommittee, and that is why we are happy to welcome here Bill Castle, the vice president for government relations, and director of the National Technical Institute for the Deaf.

Please summarize your statement, and your statement will be made a part of the record.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present the 1990 budget for the National Technical Institute for the Deaf.

The National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. NTID trains professional staff to serve the Nation's deaf population and conducts research into educational achievement, communications, personal/social instruction, and economic and employment aspects of deafness. The 1990 budget for the National Technical Institute for the Deaf is $35.6 million which includes $300,000 to support an endowment matching grant program, and $932,000 for dormitory reconstruction.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals.

The specifics of the fiscal year 1990 budget follow:

OPERATIONS

The fiscal year 1990 level of $34.3 million for operations, which includes funds for services to students, research, training, and information dissemination, increases funding by $1.2 million or 3.6 percent over the 1989 appropriation level. The funds raised by NTID for tuition, room, board, and fees will increase by 4 percent over 1989. The Federal subsidy would constitute approximately 82 percent of total funding in 1990. The rubella epidemic of 1964-65 doubled the incidence of babies born deaf throughout the United States during that period. The epidemic caused NTID's admissions to increase from a norm of 375 to a high of 587 in fiscal year 1984, to 479 in fiscal year 1985, to 414 in fiscal year 1986, to 376 in fiscal year 1987, and 419 in fiscal year 1988. Admissions for fiscal year 1989 declined to 377 which is approximately equal to the pre-rubella norm. At the same time, enrollment has grown from a normal pre-rubella level of nearly 1,000, to 1,260 in fiscal year 1984 to 1,319 in fiscal year 1985 and then dropping slightly to 1,296 in fiscal year 1986, 1,288 in fiscal year 1987, 1,245 in fiscal year 1988, and 1,171 in fiscal year 1989. For the fall of 1989, NTID will admit an estimated 400 new students. This will result in an enrollment level of 1,150 students which is 16 percent over pre-rubella levels.

The 1990 budget for operations would support academic programs in the areas of career development, research, and educational outreach.

CAREER DEVELOPMENT

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development, and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 90 percent of our graduates who seek employment have been placed in jobs within eighteen months of their graduation.

RESEARCH

Research conducted at NTID is concentrated in three major areas: Communication Research, Educational Research and Development, Postsecondary Career Studies and Institutional Research.

To ensure that NTID's research departments continue to meet these standards, an Institutional framework for research was implemented in fiscal year 1988. "A Framework for Research: Priorities, Model, Principles" established a program that is consistent with Institute priorities and allows for greater accountability.

Highlights of this year's accomplishments are listed below for each research area.

COMMUNICATION RESEARCH

Fiscal year 1988 projects in Communication Research, designed to provide information that will assist in the development of communication assessment tools, techniques, and training, included: progress in the ongoing Technical Signs project, which provides faculty members, students, and interpreters with videotapes and manuals of specialized signs for various areas, such as social work, law, and science; introduction of videodisc technology in speech reading instruction; examination of English language skills of students and reasons for deficiencies; and studies through use of the Speech Analysis Laboratory of the speech production of deaf people.

EDUCATIONAL RESEARCH AND DEVELOPMENT

In its efforts to determine what processes take place for deaf students in the postsecondary classroom, educational researchers were involved in: an exploration of various classroom techniques that may improve students' writing skills; a cooperative project, titled Early Alert System for Education, designed to identify students who are at risk of withdrawing from NTID; and development of better methods for assessing skills of deaf people through standardized test results.

POSTSECONDARY CAREER STUDIES AND INSTITUTIONAL RESEARCH

Through quantitative and qualitative research, this office examines the accomplishments achieved and challenges faced by deaf people before they enter, while attending, and after leaving NTID. This year, NTID's efforts were concentrated in: developing a data base of the numbers and home States of current and prospective HID students on a State-by-State basis; studying students' perceptions of the communication process; examining the experiences of deaf students mainstreamed in other RIT programs; exploring supervisors' perceptions of deaf people in the workplace; and expanding the research on earnings of HID graduates as reported by the Internal Revenue Service to include students associated with the four federally funded postsecondary programs serving the deaf.

EDUCATIONAL OUTREACH

NTID is obligated to provide outreach services to external audiences, particularly to deaf people and those serving deaf people, not only because it is a federally funded institution whose guidelines established such a responsibility, but also because it has a moral obligation to society to share its knowledge, materials, and strategies developed through 20 years of experience. While NTID has provided outreach services to external audiences for many years, fiscal year 1988 marks the first year the Institute has implemented programs designed to systematically address outreach.

Having decided to focus on the career development of deaf people, NTID established six development teams to address the needs of employers, deaf adults, parents of deaf children, math and science educators, language development educators, and support services personnel.

In fiscal year 1989, the following strategies will be implemented: a three-day employer development program for personnel representatives and supervisors will be offered in Chicago, Los Angeles and Columbus; a one-week summer training program in computer skills for alumni and other deaf employees; instructional methods and materials for deaf learners, presented to math and science teachers through a summer institute; role-modeling techniques for parents; and guidelines on the roles, responsibilities, and training and certification requirements of interpreters in all educational settings as well as consumer education on the use of interpreters, presented to school personnel across the country.

NTID's approach to outreach is innovative in that the Institute seeks to work cooperatively with other programs serving deaf people. As a member of the national Postsecondary Consortium, made up of the six federally funded postsecondary programs, NTID will be able to cooperate with these programs to provide regional training, workshops, and seminars to deaf adults, high school students, and parents. Members of the consortium are California State University at Northridge, Gallaudet University, NTID, Seattle Central Community College, St. Paul Technical Institute, and the University of Tennessee. In addition, the American Deafness and Rehabilitation Association, Council of State Administrators of Vocational Rehabilitation, and National Association of State Directors of Special Education are represented in an ex officio capacity.

In fiscal year 1988, NTID continued to provide a variety of outreach services through many already-established programs.

Explore Your Future, a summer program offered to high school juniors to promote awareness of technological career options and the academic skill requirements needed for them.

The Joint Educational Specialist Program, a master's degree program jointly sponsored by the Rochester Institute of Technology and the University of Rochester.

The associate degree program in Educational Interpreting, which prepares interpreters and support personnel for educational and community settings.

The Internship program offers postgraduate field experience for professionals, graduate, and undergraduate students.

Through the National Center on Employment of the deaf, 257 managers, potential managers, and coworkers of deaf people were trained in methods of adapting their work environments to the needs of deaf employees.

ENDOWMENT GRANT

The budget is $300,000 for the endowment matching fund program authorized by the Education of the Deaf Act of 1986. NTID will receive these funds as it raises additional endowment funds from non-Federal sources on a dollar for dollar matching basis. In addition, the institute can spend up to 50 percent of the income derived from the investment of the funds for operating purposes. The use of the endowment approach is an important step toward decreasing NTID's dependence on Federal funding in future years. In fiscal year 1988, NTID matched all $191,000 that was authorized and appropriated and has raised all of the $198,000 authorized and appropriated for fiscal year 1989.

CONSTRUCTION

Nine hundred thirty-two thousand dollars is included for a comprehensive program of repairs and reconstruction primarily to correct safety and security concerns in our dormitories. These include replacement of strobe lights, smoke detectors and fire alarm panels, smoke doors and installation of smoke hatches.

SUMMARY

In summary, the 1990 budget is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunity for handicapped persons. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap, become contributing members of society, and vastly improve the quality of their lives. On the pragmatic side, recent collaborative research between NTID and the Internal Revenue Service shows that graduates of NTID pay back the cost of their education in 10 to 13 years and have lifetime earnings that are two to three times greater than deaf persons with no degree.

Mr. Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHY OF WILLIAM E. CASTLE

Position.—Vice President for Government Relations, Rochester Institute of Technology, Director, NTID.

Birthplace and date.—Thomas, South Dakota—September 5, 1929.

Education.—Northern State Teacher College—1951, B.S.; State University of Iowa—1958, M.A., and Stanford University, 1963—Ph.D.

EXPERIENCE

Present.—Vice President, Government Relations—RIT Director—NTID.

September 1979.—Vice President, RIT Director—NTID.

1977 to 1979.—Dean and Director, NTID.

1969 to 1977.—Dean, NTID.

1968 to 1969.—Assistant to the Vice President and Director of Division of Instructional Affairs, NTID.

1965 to 1968.—Associate Secretary for Research and Scientific Affairs, American Speech and Hearing Association.

1963 to 1965.—Assistant Professor, Speech Pathology and Audiology, University of Virginia.

1961 to 1963.—Instructor, Speech Correction, Central Washington State College.

Summer 1961.—Instructor, Speech Correction, Central Washington State College.

1960 to 1961.—Instructor, English, Experimental Phonetics Lab, Stanford University.

1958 to 1960.—Instructor, Speech Correction, St. Cloud State College.
Summer 1956.—Customers Broker, Frank P. Dow Company.
1953 to 1956.—Communications Specialist, United States Air Force Base.
1951 to 1953.—Secondary Teacher, English and Speech Faulkton High School.

ASSOCIATION MEMBERSHIPS

Academy of Rehabilitative Audiology; Acoustical Society of America; Alexander Graham Bell Association for the Deaf, Inc., (Life Membership—currently serves as President elect); American Association for the Advancement of Science; American Association of Community and Junior College; American Association of Higher Education; American Association of Phonetic Sciences; American Association of School Administrators; American Deafness and Rehabilitation Association; American Speech-Language-Hearing Association; Association for Equality and Excellence in Education, Inc.; Association on Handicapped Student Service Programs in Postsecondary Education; Conference of Educational Administrators Serving the Deaf, Inc.; Convention of American Instructors of the Deaf; Council on Education of the Deaf; Empire State Association of the Deaf; GeVa Theatre; International Association of Parents of the Deaf, Inc.; International Society of Phonetic Sciences; Monroe County Association for Hearing Impaired; Nathaniel Rochester Society; National Association of the Deaf; National Organization on Disability; National Organization for Women; National Rehabilitation Association; New York State Association of Junior Colleges; New York State Speech and Hearing Association; Opera Theatre of Rochester; Registry of Interpreters for the Deaf; Rochester Museum and Science Center; Rochester Philharmonic; Smithsonian Institution; Telecommunications for the Deaf, Inc.; and World Federation of the Deaf.

PUELICATIONS

Castle, W.E. "Mainstreaming Techniques for Hearing Impaired Students—What Ten Years Have Taught Us." Presented at the First Annual Conference of the Massachusetts Office on Deafness—October 1978.

Castle, W.E. "Roads to Independence." Presented at the West Coast Family Outing of the Alexander Graham Bell Association of the Deaf—November 1978.

Castle, W.E. "Recent Developments in Vocational Education for the Deaf in the U.S.A." Presented at the 8th World Congress of the World Federation of the Deaf, Varna, Bulgaria—June 1979.

Dr. CASTLE. I am very happy to have the opening statement submitted as part of the record. But I would like for the record also to show, Mr. Chairman, that we at the National Technical Institute for the Deaf are pleased that you have become the chairman of this subcommittee.

We know of your longstanding commitment to disabled people, which is exemplified by your service as chairman of the Subcommittee on the Handicapped.

In May, NTID will complete its 21st year of serving deaf students on the campus of the Rochester Institute of Technology, our host institution. At that time, over 200 of the 1,171 deaf students who are now at NTID will graduate and become a part of our alumni, whose number will then total nearly 2,800.

We are pleased to point out that in the past 20 years, 15.8 percent of these alumni have graduated with baccalaureate or master's degrees from one of the other eight colleges at the Rochester Institute of Technology.

We are also pleased to point out that research undertaken with regard to these alumni shows that 96 percent of those who are in the labor force are in jobs; 94 percent are in jobs commensurate with their training; 82 percent are working in business and industry, and 80 percent are in white collar jobs, in contrast to 51 percent of the entire labor force, and 26 percent of all deaf people who are in the labor force.

A recent study, done in conjunction with the Internal Revenue Service, shows that these alumni earn at a much higher rate than those deaf students who withdrew from NTID before completing some level of certification, and an even higher rate than those deaf young people who were admitted to NTID, but did not enroll.

The study also shows that these alumni will pay the Federal Government in taxes an amount equivalent to the cost of their education within 10 to 13 years, and then continue to be productive, tax-paying citizens.

We believe these data show that the intent of the Education of the Deaf Act with respect to NTID is being fulfilled, and that 2,600 deaf graduates are now productive citizens contributing to society in ways they could not have hoped to contribute 21 years ago.

Today, I am here to present to you the President's request for continued fiscal support to NTID for fiscal year 1990. That request is for $35,553,000, which includes $34,321,000 for operations, $300,000 for a matching endowment fund, and $932,000 for construction.

I thank you for your attention.

CAREER DEVELOPMENT CONSORTIUM

Senator HARKIN. Bill, thank you very much for succinctly summarizing your statement. I have a couple of things I want to go over with you.

I understand that you have used $100,000 in fiscal year 1989 funds to begin work on a 5-year plan for a postsecondary consortium to provide career services to low- or under-achieving deaf adults. And that additional funds would be required in fiscal year 1990 to complete this study. But I do not see any request for these funds.

Did you request funding for this consortium in your fiscal year 1990 submission to the Department of Education?

Dr. CASTLE. Yes, sir; we did.

Senator HARKIN. And how much did you request?

Dr. CASTLE. Our request was for $400,000, which was the level built into the appropriation by the House of Representatives last year.

This $400,000 was lost in conference.

Senator HARKIN. Last year.

Dr. CASTLE. Yes.

Senator HARKIN. So you put that in your request this year?

Dr. CASTLE. We requested $400,000 for fiscal year 1990 in our submission to the Department of Education, but as the congressional justification points out, that request was not approved.

Senator HARKIN. So the $400,000 still holds?

Dr. CASTLE. As a matter of fact, further deliberations on this particular matter have been underway for the past several weeks. We are now calling it the career development outreach consortium, rather than the postsecondary consortium.

Dr. Jordan was a bit concerned that the term postsecondary would become a little confusing to people who are expecting initiatives on behalf of postsecondary graduates, dropouts, and low-achieving deaf adults.

The interest of the consortium is career development opportunities for deaf adults with a special emphasis on low-achieving deaf adults.

Recent deliberations with members of your own staff suggested that we might want to begin delivering real services while we continue to develop long-range plans. This would cost about $1.8 million for the first year.

ENROLLMENT DECLINE

Senator HARKIN. Dr. Castle, enrollment at NTID has been declining. What recruitment and retention initiatives have been undertaken to increase enrollment? Why is it declining?

Dr. CASTLE. We attribute most of the decline in enrollment at NTID to the fact that the rubella surge has passed.

Senator HARKIN. Ah, yes.

Dr. CASTLE. Therefore, we are falling back in terms of the number of potential students who have been applying to come to NTID.

Senator HARKIN. We have previously discussed this.

Dr. CASTLE. We are falling back to a level that we predict will stabilize at about 1,100 to 1,150.

SALARY INCREASES

Senator HARKIN. You have indicated, Dr. Castle, your concern over the fiscal year 1990 budget request submitted by the Department of Education and have indicated that of primary concern is that there is not enough provisions for built-in salary increases.

I understand you are seeking a 6-percent increase in salaries, while the budget would provide a 4.1-percent increase. Do I understand further that you have signed contracts for 6 percent salary increases?

Dr. CASTLE. We have been involved in salary deliberations, sponsored by the host institution, RIT, and we are at the point of signing new contracts for July 1989 to June 1990.

The reason for the interest in the 6 percent is to provide the same level as the Rochester Institute of Technology. Also, as Gallaudet University has concerns about remaining competitive, so does NTID and our host institution, RIT.

The Rochester Institute of Technology established an average increment level of 6 percent in salaries for its staff, plus a 1-percent increase in fringe benefits. We believe we must deal with our own faculty and staff on a commensurate level with the host institution. At the same time, this level would keep us competitive with other similar technical institutions.

FOREIGN STUDENTS

Senator HARKIN. Again, on the admission of foreign students, the report of the National Commission on Education of the Deaf has no objection to the admission of foreign students at NTID, as long as no Federal moneys are used to subsidize those students.

NTID has been working with the Department of Education to develop appropriate levels of tuition for foreign students. Where do

those negotiations stand now? Do you have foreign students at NTID?

Dr. CASTLE. We do not have foreign students at NTID, although we have the permission to admit them.

Before the Commission made its own recommendation, the Department of Education held that foreign students at NTID may be admitted, but must be fully costed.

We declared our interest in having parity with Gallaudet University. We still feel that is an important principle. That principle was put in place in 1969 for U.S. citizens, and it seems to be an appropriate principle for foreign students, as well.

Gallaudet University and NTID are working together in negotiating tuition levels for foreign students with the Department of Education. Negotiations would need to be completed by September 1989 for NTID to admit foreign students by school year 1990–91.

Senator HARKIN. Again, I say to both you and to Dr. Jordan, there might be another area of assistance for foreign students that we ought to look at. We have other programs to assist foreign students in this country, especially students from Third-World countries.

A more appropriate place to look for that kind of assistance is to the Foreign Operations Subcommittee of the Appropriations Committee.

We are not talking about a great deal of money here, but it is something that could have a great impact on a Third-World country, if we were to provide technical or educational training to those students.

I would be willing to work with you, and to see if there might be some possibilities of finding a source of revenue for some of these foreign students.

Dr. CASTLE. As I recall, the Commission, at the same time that it recommended that the foreign student pay 75 percent of the total cost at both Gallaudet and at NTID, also suggested that some consideration be given to other ways of subsidizing the foreign deaf student.

I am sure that Dr. Jordan and I would be very happy to discuss with you, Senator, possibilities of that sort, at the same time that we are negotiating with the Department of Education.

Senator HARKIN. I can discuss it on the staff level, too.

Dr. CASTLE. Very good.

Senator HARKIN. You just gave me some ideas.

Dr. Castle, that is all I have for you now.

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF TUCK TINSLEY III, PRESIDENT

Senator HARKIN. We will hear from Dr. Tuck Tinsley from the American Printing House for the Blind. The majority of funding provided to the printing house is used to cover the cost of operations to produce instructional materials in such areas as braille reading, science, mathematics, and social studies.

Special materials are also developed for the use of the severely, multiple handicapped students.

Again, Dr. Tinsley, welcome to the subcommittee, and if you could, please summarize your statement.

Dr. TINSLEY. Thank you, Mr. Chairman.

The total 1990 budget for the American Printing House for the Blind is $5.5 million, an increase of $202,000 over that appropriated for 1989.

This total will provide funding in three areas: Educational materials, advisory services, and educational and technical research.

Of the $5.5 million, $5 million will be used to supply an estimated 46,500 blind students with educational materials, $149,000 for expenses for advisory services, and approximately $353,000 for educational and technical research.

PREPARED STATEMENT

Mr. Chairman, with your permission, I would like to submit an appendix to our opening statement to be included in the record, and that concludes my opening statement.

[The statement follows:]

STATEMENT OF TUCK TINSLEY III

Mr. Chairman and Members of the Committee: The American Printing House for the Blind (APHB) was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and other materials for use by the blind. In 1879, the Congress passed an Act to Promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students below college level throughout the United States, its territories, and possessions.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals.

The total budget for 1990 for this program is $5.5 million, an increase of $202,000 over that appropriated for 1989. This includes $10,000 to offset the loss of the permanent appropriation as of October 1, 1989, terminated by the Handicapped Programs Technical Amendments Act of 1988 (Public Law 100-630). This amount would provide approximately 40 percent of the Printing House's total budget.

EDUCATIONAL MATERIALS

Of the funds for fiscal year 1990, $5 million would be used to supply an estimated 46,500 blind students with special educational materials. This number represents an increase of 1,679 students over fiscal year 1989. Of the 46,500 blind students, 43,710 would be enrolled through educational programs and 2,790 through rehabilitation programs. The per capita allotment for fiscal year 1990 would be $108.28.

ADVISORY SERVICES

The 1990 budget includes $149,000 for expenses for Advisory Services. This budget category covers the expenses of the two Advisory Committees which determine what books will be published and what other new materials will be developed. But more importantly, it covers the cost of informing teachers and administrators about what materials are available, how they may be obtained, and how they are to be used, as well as the cost of the annual census of blind students conducted each January.

EDUCATIONAL AND TECHNICAL RESEARCH

Approximately $353,000 would be allocated in 1990 for educational and technical research. These funds serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas such as reading, low

vision training, and microcomputer applications, and products for special groups such as the multihandicapped blind and preschool blind. During the past 12 months, 28 new or adapted products have been released.

The American Printing House for the Blind (APHB) continues to serve a growing and complex group of blind students who require many different kinds of educational materials. The recent passage of Public Law 99-457 by the Congress amends Public Law 94-142 with a mandate for the extension of services to the preschool population. The resulting programs may result in a large, but as yet undefined, increase in the number of students to be served by APHB. In 1990, the Printing House plans to place a priority on the development of new materials to serve children through age 3.

Of the 44,821 students registered for fiscal year 1989, 36,483 legally blind students were registered through State Departments of Education, 4,342 were enrolled in residential schools, 1,393 were enrolled in separate programs for the multihandicapped, and 2,603 were enrolled in rehabilitation programs. Among these, 5,400 read braille, 14,115 were visual readers, 7,449 were auditory readers, 4,023 were prereaders, and 13,834 were nonreaders.

New educational materials and teaching aids are developed and produced each year to keep educational programs for these students current. In addition, reprints and reruns of older materials are made as required.

The APHB uses its own funds to maintain a finished goods inventory of $3 million to ensure timely delivery of special materials to educational programs.

The Federal Act of 1879 was passed for the purpose of providing special educational materials to legally blind students. Administered through the APHB, it provides text materials in braille, large type, and recorded form and special tools, teaching aids, microcomputer hardware and software, and supplies not available on a commercial basis to the States at no cost. The Federal appropriation supporting the Act enables the APHB to provide special educational materials which otherwise would not be available for blind students because it is not economically feasible for commercial companies to produce special materials for such a slim market. Additionally, the appropriation enables the APHB to undertake the development of these special materials. No other vehicle exists for the development of such materials on a continuing basis. The total appropriation includes funds for supplying educational materials, for administering the Act, and for educational and technical research. All of these functions are integrated through the administration of the Act by a single agency. This enables the objectives of the Act, and the processes required to achieve them, to totally interrelate in the most cost-effective manner possible.

As before, we continue to make steady progress in meeting the educational needs of blind children.

Mr. Chairman, as you are aware, I am new to the Printing House and have only recently taken on the Presidency of this organization. As such, I have brought along my associate, June Morris, Executive Vice-President of the American Printing House for the Blind, to respond to specific questions regarding the institution and the fiscal year 1990 budget.

ADMINISTRATION OF THE ACT

The purpose of this statement is to provide documentation for the record in support of the Act to Promote the Education of the Blind as it is currently administered.

The wisdom of Congress vesting a single agency with sole responsibility for administering the Act and providing the materials and services inherent in its comprehensive administration is continually verified by experience. This arrangement enables the objectives of the Act, and the processes required to achieve them, to be totally interrelated in the most cost-effective manner possible.

Appropriating funds under the Act to more than one agency would provide no obvious benefits to blind students. The appropriation to a single agency facilitates a concentrated effort which results in (a) the provision of a wide array of materials to a low incidence population, (b) a central source for a large portion of the special educational materials needed by blind students, (c) an annual registration (census) of legally blind students, (d) close monitoring of the use of appropriated funds, (e) oversight by a Board of Ex-Officio Trustees who are the consumers of the services, and (f) provision of coordinated advisory services.

The Federal appropriation supporting the Act facilitates the provision of special educational materials which would not otherwise be available for blind students because it is not economically feasible to commercially produce these materials for such a small market.

The annual registration of blind students provides the basis for apportioning appropriated monies on a per capita basis. This becomes the registering organizations' "quota" which is used to obtain materials.

If the appropriated funds went to various vendors, the major benefits of the appropriation would be lost. The appropriation includes research and development funds which provide continuity from the identification of needed materials to their subsequent development, production, and distribution. This concentrated research and development effort is therefore not reflected in the cost of the materials.

The flow of "quota" funds through a single agency allows the availability of a wide array of finished goods to ensure timely delivery of educational materials to blind students. This procedure also provides the accountability which ensures that appropriated monies are spent on special educational materials for blind students.

It is a benefit to have the Act's appropriation assigned to a single agency because the assurance of a continued market encourages that agency to invest funds in the equipment and inventory necessary to provide the educational materials needed by this special population.

BIOGRAPHY OF TUCK TINSLEY III

Position.—President, American Printing House for the Blind.

Birthplace and date.—Jenkins, Kentucky, July 30, 1946.

Education.—Florida State University, Tallahassee, Florida 1968, BS; Florida State University, Tallahassee, Florida 1971, MS; and University of Florida, Gainesville, Florida 1982, Ed.D.

EXPERIENCE

1989 to present.—President, American Printing House for the Blind, Louisville, Kentucky.

1980–89.—Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida.

1981 (6 months).—Interim Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida.

1979–80.—Assistant Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida.

1978–79.—Acting Assistant Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida.

1968–79.—Mathematics Teacher, Florida School for the Deaf and the Blind, St. Augustine, Florida.

Association membership.—Association for Education and Rehabilitation of the Blind and Visually Impaired; Council for Exceptional Children and its Division for Visually Handicapped; and Council of Executives of American Residential Schools for the Visually Handicapped.

Publications.—Seventeen professional monographs and articles regarding the blind and visually impaired.

Senator HARKIN. Without objection.

Dr. TINSLEY. I would be happy to respond to any questions, sir.

EFFECTS OF INFLATION

Senator HARKIN. The budget request submitted by the Department of Education for the American Printing House for the Blind is $5,537,000, an increase of $202,000 over last year. It represents approximately 40 percent of your 1990 funding needs. There was considerable concern by educators that Federal funding for the printing house has not kept pace with inflation, or with the number of students served. For example, in 1981, the Federal appropriation was $131.87 per student served. At current dollars, that level of appropriation would be nearly $200 per student today.

As Federal funds have not kept pace, are fewer materials being provided to blind students today?

Dr. TINSLEY. Yes, sir; through the quota system, the per student amount estimated with the current budget, at our projected enrollment level, would provide $108.28 per student.

Senator HARKIN. About $108?

Dr. TINSLEY. Yes, sir; $108.28.

Senator HARKIN. That is compared to $131 in 1981?

Dr. TINSLEY. Yes, sir; despite appropriations increases, the per pupil amount represents a $23.59 decrease. Largely, that is because the number of students has increased from 34,814 in 1981 to an estimated 46,500 in 1990, a 33.6-percent increase.

STATE EXPENDITURE OF QUOTA MONEY

Senator HARKIN. I have heard from one State that has run out of money this year with which to purchase your materials. Is this likely to happen in any other States?

Dr. TINSLEY. Last year most of the States used all of their quota money. The 96.4 percent of all the money allocated was expended. The 3.6 percent that was not spent last fiscal year rolls forward this year and will be reallocated.

So, yes sir; they do expend their funds.

EARLY INTERVENTION FOR HANDICAPPED CHILDREN

Senator HARKIN. One area that I have been very interested in and involved in is the area of early intervention for handicapped kids.

The Education of the Handicapped Act expanded services to infants and their families, but we only see a $12,000 increase in your research budget to develop all new materials. Is this enough to meet the new demands related to infants through to 3 year olds?

Dr. TINSLEY. We will be placing a priority on the identification, development, production, and manufacture of needed materials for this birth to 3-year-old population.

The budget before you is the budget presented by President Reagan in his budget, January 9. Additional funds could certainly be used, but we support the budget submitted by President Reagan and subsequently by President Bush.

Senator HARKIN. One additional thing I want to say to Dr. Jordan and Dr. Castle. In a hearing I had the other day, it was brought out that the average age in this country at which we diagnose hearing problems is 2.5 years.

The average age for other countries—I do not know if it is at all other countries, or all other industrialized nations—is 7 or 8 months. So it seems like we have a great deal to do in the area of early diagnosis.

PROPOSAL TO ALLOW INSTITUTIONS' CHOICE

One last thing Dr. Tinsley, the National Federation of the Blind has suggested that the Congress should allow institutions to choose what they should buy and from whom.

Do you have any comments on this proposal?

Dr. TINSLEY. Yes, sir; I certainly do. Any proposal that would fragment the Federal appropriation would be detrimental to the

intent of the act. The population we are serving with the appropriation is approximately 4 percent of the total blind population. This represents the precollege level blind population.

The flow of the funds through a single agency promotes the availability of a large inventory and wide array of finished products. This mechanism also ensures accountability for funds used to purchase materials for visually impaired students. Of utmost significance, is the assurance that the appropriation for this program will be awarded to a single agency. This assurance encourages that agency to invest in the equipment, facilities, and inventory necessary to provide the special materials needed by this population.

Senator HARKIN. Thank you very much for those comments.

Dr. TINSLEY. Yes, sir.

Senator HARKIN. Does anyone have anything else to add? Something that you have thought about since we started?

Dr. JORDAN. If I may, sir, I—it has nothing to do directly with my testimony, and instead has to do with the chronicle of the week at Gallaudet 1 year ago, both a chronicle in narrative, and in photographic form.

The author, Jack Gannin, is here today, and we would like to present you with a copy of this book, if we may.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Well, the subcommittee will stand in recess, while I take care of this most important business.

Thank you all for coming. I might have some other questions for the record.

[The following questions were not asked at the hearing, but were submitted to the Institutions for response subsequent to the hearing:]

GALLAUDET UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

THE PURSUIT OF EXCELLENCE

Question: Dr. Jordan, one of the themes that you have been promoting as President of Gallaudet is excellence. The whole issue of excellence is one of compelling urgency to us today in a world of changing technologies. Students can no longer afford to simply make the grade, but must excel if we as a Nation are to be competitive in today's world market.

What steps are you taking to ensure that your graduates are appropriately prepared for professional work or for further education?

Answer: Gallaudet has several ongoing programs designed to enhance job preparation that supplement the standard curriculum in various majors. These include: Experiential Programs Off-Campus (EPOC), Students in Free Enterprise (SIFE), and the Career Center. The University also offers computer literacy courses and technologically innovative methods for improving basic academic skills, including the Electronic Networks for Interaction (ENFI) program. In addition, Gallaudet employs several internal assessment devices including academic placement and achievement tests and follow-up studies of graduates. Gallaudet notes that approximately 50 percent of graduates receive initial placements in positions that are directly related to their major programs.

PLACEMENT RATES FOR GRADUATES

Question: What are your current employment placement rates for your graduates?

Answer: The latest completed study of placement rates by the University is for the Class of 1986. The full-time employment placement rate for Gallaudet bachelor's degree graduates one year after graduation was 74.1 percent. This number does not include graduates who continued their education.

Question: How many of your college graduates go on to graduate school?

Answer: Gallaudet estimates that post-graduate enrollment for the class of 1986 was 27.9 percent. This percentage partially duplicates the percentage given for graduate employment because some graduates were both employed and enrolled in additional educational endeavors. Approximately 6.5 percent of graduates were neither employed nor in school. Follow-up studies of all alumni who attend graduate school indicate that approximately 40 percent eventually earn graduate degrees.

OUTREACH PROGRAM TO IMPROVE LITERACY

Question: Gallaudet University serves over 46,000 people in 43 States, through its outreach program and regional centers. I know that literacy is a major concern, and that you will be working to improve the literacy levels of deaf people through your outreach

program. Could you tell the Subcommittee what you hope to accomplish through the outreach program and regional centers other than your efforts to improve literacy?

Answer: The outreach programs are designed to provide educational services in local communities. Services are provided to a wide variety of people other than deaf adults, including: families of deaf people, professionals who work with deaf people, and providers of social services who may encounter deaf people only occasionally, but need basic knowledge about how to communicate effectively. In addition to literacy, the following are major themes of Gallaudet's national agenda: career preparation, empowerment, adaptation to hearing loss in later life, family education and skills, critical health issues, mainstream educational services such as interpreter training, adult and community education, and self-help skills. A primary mechanism for delivering these programs is to "train the trainers," people who can then provide training or services for others in their local areas, often through the regional centers, thereby creating a "ripple" effect. The numbers of people actually touched by these programs, directly or indirectly, may, therefore, be much greater than reflected in the reported numbers.

SALARY IMPROVEMENTS

Question: Dr. Jordan, your fiscal year 1990 budget request includes an increase of $2,340,000 to provide salary improvements for faculty and staff.

I understand that salary and benefit levels at Gallaudet are not competitive. How serious is the threat of losing valuable faculty and staff?

Answer: Gallaudet has given substantial increases in faculty salaries and benefits over the last few years. However, its studies suggest that the University continues to lag behind the levels of a selected list of other area universities because these institutions have also been improving their salary scales. Last year, in a survey conducted by the University, Gallaudet ranked last out of the eight schools it selected for a comparison study. Gallaudet currently ranks about sixth out of the nine area universities, including Gallaudet, that it used for comparison purposes in 1989. The eight other universities are: American, George Mason, George Washington, Georgetown, Catholic, Howard, Maryland, and the University of the District of Columbia. Gallaudet has also been giving increases to its Pre-college faculty in order to ensure that they remain competitive with salaries offered in local school districts. They plan to continue to work toward improving faculty salary scales, and for that reason, would devote the Federal portion of the increased revenues anticipated in fiscal year 1990 to further increase salaries and benefits of faculty and staff.

EVALUATION OF GALLAUDET UNIVERSITY

Question: Your budget requests $500,000 to pursue a comprehensive programmatic evaluation of Gallaudet University programs. I understand that the study will actually be handled by

the Department of Education, but will require additional staff work by Gallaudet.

Has the Department of Education been in consultation with you to discuss this evaluation?

Answer: Funds provided for this study would be controlled by the Department of Education for the purpose, primarily, of hiring consultants to do an in-depth analysis of Gallaudet University. The Department has shared the plans that it has developed so far for conducting the evaluation with Gallaudet. The University has been given the opportunity to review and comment on proposed membership of the panel of experts, and will have other opportunities to provide direct input into the activities of the panel.

Gallaudet is not entirely comfortable with the idea of having a line item appropriation for Gallaudet that is not under its control. However, the Department requested the funds as part of the request for Gallaudet, rather than under its general evaluation authority, in order to highlight the request for the Appropriations Committees and specifically earmark the funds for this purpose. The Department does not provide funding to grantees to compensate for the burden imposed by evaluations. The responsibility to respond to Federal inquiries is implicit in the acceptance of Federal funds. It also would not be appropriate for a grantee to conduct such an evaluation. The Department has a permanent evaluation staff trained to conduct objective programmatic studies to assess the extent to which grantees are meeting the Federal goals and objectives for which they were funded.

Question: Is this evaluation going to be another cost study, or strictly a programmatic evaluation, as recommended by the Commission on the Education of the Deaf?

Answer: The Commission on Education of the Deaf did not comment on the need for cost studies or the topics that should be covered in a program evaluation. They recommended that "The Department of Education should conduct program evaluations of Gallaudet University...on a five year cycle and submit a report of its evaluation with recommendations, including specific proposals for legislation, as it deems advisable, to the authorizing committees of the Congress. The evaluation team should consist of outside experts in the field of deafness, program evaluation, education, and rehabilitation, including persons who are deaf."

The Department is fully committed to carrying out the Commission's recommendations related to evaluation. We are convening an advisory panel of outside experts along the lines specified by the Commission to advise the Department on developing guidelines and study questions for the evaluation. With input from Gallaudet, the Department developed a panel that includes experts in the fields of higher education program evaluation, deafness, evaluation methodology, outcome measures, and content quality. The nine person panel includes three persons who are deaf.

The General Accounting Office, in its 1985 and 1986 reports, looked at costs and student characteristics related to deaf

education at federally assisted schools. It is not the purpose of the program study planned for 1990 to repeat their efforts. However, how an institution allocates its resources and plans for the future could be an integral part of an evaluation of the quality of education and student outcomes. The Department has not determined the particular issues to be pursued in the program study. It is the purpose of the panel of experts we are convening in 1989 to make recommendations to the Department for use in developing guidelines for that study.

MAINTENANCE PROGRAM

Question: Dr. Jordan, I note that total enrollment at Gallaudet is projected at 2,230 in fiscal year 1990. I understand that you are running out of space. We don't see any funds set aside for maintenance. Are you satisfied that we are on track in maintaining the capital plant of the university?

Answer: Maintenance funds are not requested separately from the rest of the budget. Gallaudet plans and provides for maintenance of existing facilities in a comprehensive manner. Gallaudet divides its maintenance plan into three separate components: routine, preventive, and deferred. Routine maintenance involves problems that need immediate attention and can be remedied relative quickly. For its preventive maintenance program, Gallaudet employs a computerized system that alerts maintenance personnel to perform scheduled tasks designed to prevent problems from developing. Deferred maintenance refers to problems that are relatively larger, but do not require immediate attention. Gallaudet has a priority list of these deferred projects and schedules them for completion as funding becomes available. In addition to routine maintenance funded through our operating budget, the University makes planned transfers of excess revenues to a plant fund to provide for replacements and improvements to the physical plant.

CONSTRUCTION AND RENOVATION

Question: Has Gallaudet developed long-range plans with respect to new construction and/or renovation of existing facilities?

Answer: Gallaudet enjoyed substantial growth in enrollment during the 1980s. In 1983, the Federal Government gave the University title to the grounds and buildings of the Marjorie Webster Junior College for use as their Northwest Campus. This property was renovated using non-appropriated funds. That campus has been adequate to house Gallaudet's preparatory program and some technical programs. However, as a growing number of students leave the Northwest campus and move to the main campus, crowding has begun to develop on Kendall Green. In 1988, Gallaudet commissioned a consultant to study space utilization on campus. That study recommended expansion, renovation and reprogramming of existing space. Proposals under consideration for the coming years include expansion of the space available for the School of Management, major renovations and reprogramming related to the Hall Memorial Building (HMB), the largest classroom building, and possibly the addition of a wing to that building to house the growing research program.

Gallaudet plans to meet with the Department of Education to discuss creative ways to finance these projects.

ENDOWMENT MATCHING PROGRAM

Question: The budget requests $1,000,000 for your endowment program, which is only available to you if you can raise matching funds.

You have been successful in reaching this year's match of $988,000. Could you actually match more than $1,000,000 in fiscal year 1990? This seems to me a good way to stretch our Federal dollars.

Answer: Gallaudet has raised the full amount necessary to match the appropriations for the first two years of the endowment matching grant program, $957,000 in fiscal year 1988 and $988,000 in fiscal year 1989. The University has already designated more than $700,000 that can be applied to the $1,000,000 requested for fiscal year 1990. Therefore, we believe it would be possible for Gallaudet to match more than the $1,000,000 amount in fiscal year 1990. However, the University has been very successful in raising endowment funds that are not related to the Federal program and could be expected to continue to do so without the Federal matching incentive. The $1,000,000 requested is intended to ensure a minimum level of growth in the endowment, thereby gradually increasing the independence of the University.

AFFIRMATIVE ACTION

Question: Dr. Jordan: I understand that about 27 percent of your faculty and staff are hearing impaired. Are you recruiting to increase the number of deaf and other minority individuals on faculty and staff at Gallaudet?

Answer: Affirmative action is a high priority of the current administration at Gallaudet. Dr. Jordan has established an affirmative action task force that is developing a plan and will report to him on the results this spring. He anticipates that the report will contain detailed recommendations on ways in which Gallaudet can increase its number of deaf and minority employees. Steps have already been taken to enhance the skill levels of minority employees through implementation of staff and management training programs and administrative internships. The University also plans to provide in-service training to administrators to ensure that they understand equal employment opportunity procedures and do not engage in discriminatory practices.

RESEARCH COORDINATION

Question: What steps have been undertaken to coordinate research at Gallaudet with other special institutions for the handicapped?

Answer: For several years, Gallaudet has met regularly with representatives of the National Technical Institute for the Deaf (NTID) to discuss research issues. Since the mid 1970s, it has

cooperated with NTID in periodic surveys of other postsecondary programs for the deaf. The University has recently completed, at the request of the Department of Education, detailed research plans for the current fiscal year. In addition, it regularly monitors the research priorities of the Department of Education and attempts to match its priorities to the Department's to the greatest extent possible. Gallaudet has also been working with the National Institutes of Health to develop the agenda for the new National Institute on Deafness and Communicative disorders.

PRE-COLLEGE ADMISSION CRITERIA

Question: What action has been taken to address the recommendation that the admission criteria and materials and products at KDES and MSSD be changed to meet the needs of deaf students who are lower achievers academically, have secondary handicaps, students from non-English speaking homes, and minority students?

Answer: This question relates to the Commission on Education of the Deaf's recommendation that Congress amend the Education of the Deaf Act to set certain priorities at the Kendall Demonstration Elementary School (KDES) and the Model Secondary School for the Deaf (MSSD). The critical needs identified by the Commission included services for students who are lower functioning academically, have secondary handicaps, from non-English speaking homes, and members of minority groups. Gallaudet University believes that it already addresses these concerns. The University conducts reviews of its admissions criteria at both demonstration schools on a continuous basis. One important factor in these reviews is a determination of the extent to which the criteria are successful in achieving student enrollments which support the development of exemplary programs as well as the conduct of research and dissemination activities. For several years, both KDES and MSSD have had student populations with characteristics very similar to the national norm. This is critical so that programs and products developed at Gallaudet will be appropriate for use with all types of students in various school programs across the country.

Both KDES and MSSD have student populations which go beyond the national norm in relation to several key demographic factors. Both schools enroll a much higher percentage of students with profound hearing losses than the national group. KDES has 22 percent more students with profound hearing losses in the better ear compared to the national group. MSSD has 30 percent more students with profound hearing losses than occur in the national group. MSSD enrolls a slightly higher percentage of black students than is found in the national group, while KDES enrolls 170 percent more Black students than are reported nationally — 46.2 percent compared to 17.1 percent. Similarly, the proportion of non-minority students at KDES is half of the national percentage reported by the Gallaudet Center for Assessment and Demographic Studies, 33.5 percent at KDES compared to 64.5 percent nationally. KDES enrolls approximately the same percentage of students with additional handicapping conditions as the national hearing impaired group (30 percent), while MSSD enrolls approximately 10 percent less than that group. More than 20 percent of the MSSD student body reads below the third grade level.

However, overall, the KDES and MSSD student bodies are very similar to the national hearing impaired school-aged population and this will continue to allow the two demonstration schools to develop and disseminate products and programs designed for use with special populations such as those recommended by the Commssion on Education of the Deaf.

Almost half of the students enrolled in KDES are black and almost another 20 percent are hispanic or other minorities. Even with this high percentage of minorities, better than 65 percent of the students at KDES score higher than the median for hearing impaired students the same age in reading and math concepts. Further, there is evidence that this is the result of the instructional programs in place at KDES. Through dissemination of these instructional materials and through the provision of training and technical assistance, minority students and low achieving students in other programs profit from the work of Gallaudet's demonstration schools.

The reading and writing programs at KDES and MSSD have been under development for more than 10 years. They have received widespread dissemination and are designed to address the instructional needs of all deaf students, including the special populations. For example, in the State of Ohio, Pre-College reading and writing programs developed at Gallaudet are being replicated in classes for deaf students in a number of public school systems.

In addition, the Gallaudet demonstration schools have other projects under development which will address the needs of these special populations:

- This summer, the first K-12 curriculum guide for the instruction of multi-handicapped deaf students will be disseminated. This product has been under development for several years and has been used at KDES and MSSD with our multi-handicapped students.

- A special program has been developed at MSSD that addresses the needs of learning disabled deaf students. The first of these materials was developed several years ago and has been marketed since that time. In addition, two MSSD faculty members are currently on sabbatical leave investigating new strategies for teaching reading to this population.

- At MSSD, a major goal for this year has been a study of the cultures represented in the student, faculty and staff groups at MSSD. Studies have been undertaken of the achievement of black and hispanic deaf students at MSSD and a faculty member has been granted a sabbatical leave to research the current state-of-the-art in improving the achievement of black hearing students. As a part of this goal, the school has also been providing inservice training to faculty and staff in awareness of and sensitivity to the cultures represented at MSSD. All these findings will eventually be shared nationally as products or projects from KDES and MSSD.

- In 1988, MSSD contracted with Andromeda, a mental health service agency in the District of Columbia, to do a needs assessment of hispanic children and their families. This has led to increased services to KDES and MSSD students and their families. These results will be shared through publications and presentations by Pre-College staff. As a part of this cooperative agreement with Andromeda, translation of important instructional materials and products from English into Spanish is anticipated.

- This year, MSSD has increased its services to students in transition with the identification of a Transition Specialist position. Special products and projects are anticpated in this area over the next two years.

Both KDES and MSSD will continue to address the needs of these special populations and students in transition. These are not new priorities for the programs, but they are being given increased priority.

PRE-COLLEGE PEER REVIEW FOR RESEARCH

Question: The Commission on Education of the Deaf recommended that the University establish public comment and a peer review process for its pre-college research programs. What action has been taken by the University in this regard?

Answer: Gallaudet points out that independent input was received for many years through national advisory boards for both KDES and MSSD. The members of the MSSD National Advisory Committee are approved by the Secretary of Education. Part of its purpose is to evaluate MSSD's efforts in achieving the school's national mission. Similarly, KDES operated a National Advisory Board to achieve the same purpose. The KDES Advisory Board was discontinued at the request of Gallaudet, but the University now proposes that it be reappointed in the future. Gallaudet suggests that modifications to the missions and operations of these two national advisory boards might offer an adequate substitute for the independent evaluations called for in the Commission report.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RECRUITMENT AND RETENTION INITIATIVES

Question: Dr Castle, enrollment at the National Technical Institute for the Deaf (NTID) has been declining. What recruitment and retention initiatives have been undertaken to increase enrollment?

Answer: Enrollment declined from a peak of 1,319 in fiscal year 1985 to 1,171 in fiscal year 1989. NTID primarily attributes the decreases to students deafened as a result of the rubella epidemic of 1964-65 who are now exiting the system. However, the 1989 enrollment is still substantially above the pre-rubella level of 993 in fiscal year 1983. The Institute projects that the

strategies outlined below will help them to maintain stable enrollments of between 1,100 and 1,150.

NTID has put into place several new strategies to recruit additional students. Key feeder schools and programs are visited each year. Programs identified through an annual survey as having potential college bound students are also contacted through a personal visit or a phone call from an admissions counselor. An admissions inquiry system has been established to follow-up on inquiries. Once an inquiry occurs, key information is sent to that person over a period of several months.

Intensive personal follow-up occurs with the prospective student and his/her family once the applications process begins. Prospective students are encouraged to visit the Institute where interviews and personal tours are conducted by the Admissions Department to assist students in the decision making process. Receptions for students that have been accepted were held in three cities last year. These receptions afforded students an opportunity to meet other accepted students from their hometown and to begin establishing friendships prior to their arrival at the National Technical Institute for the Deaf.

For school year 1988-89, once a family requesting financial aid completes the packaging process, they will receive a personal phone call from a financial aid counselor. This should respond to any questions or concerns they may have and solidify the student's decision to attend NTID.

While attrition has remained stable over the years, a number of new initiatives have been undertaken to improve the retention rate. An additional position has been added to the RIT Financial Aid Office to deal exclusively with NTID students. This will result in rapid identification and resolution of problems that may arise after a student has arrived on campus. An Early Alert System has been developed to identify those freshman students who might have difficulties with the first courses in their majors. This is done through use of a questionnaire and early feedback from faculty. Intervention strategies are then applied to assist the student. An individual has been assigned the responsibility of developing programs aimed at assisting the transition of students from high school to college life.

Another area that NTID has undertaken is the development of a portfolio of writing samples to assist the student in being accepted into the Liberal Arts Program. This process allows students to submit, for evaluation, samples of their writing skills as an ongoing process toward acceptance into liberal arts programs.

SALARY INCREASES

Question: The salary adjustment assumed for Federal workers in fiscal year 1990 is 2 percent. Do you feel it is fair to commit Federal funds to provide more than a 2 percent salary raise?

Answer: NTID does not feel it can address whether or not it is fair to give NTID employees a 6 percent increase when Federal employees are expected to get a 2 percent increase. The cost of living is far less in Rochester than in Washington, D.C.; however, NTID believes that their relationship with the Rochester Institute of Technology (RIT) justifies the difference in cost of living increases, and that the proposed 6 percent increase is necessary and appropriate. RIT must compete with other Universities for faculty for its baccalaureate, master's, and doctoral programs. NTID is located on the campus of RIT and shares certain of its facilities. It also gains benefits from RIT's faculty because NTID students may transfer to these programs. Over the past seven years RIT has granted the following average percentage salary increases as compared to the Higher Education Price Index (HEPI) and the American Association of College and University Professors study (AAUP):

	Average Percent Increases		
	RIT	HEPI	AAUP
FY 90	6.0	6.0 est.	6.0 est.
FY 89	5.5	5.5 est.	5.8
FY 88	4.0	4.4	4.9
FY 87	7.5	4.2	5.9
FY 86	3.0	4.4	6.1
FY 85	6.0	6.7	6.6
FY 84	5.0	5.4	4.7
Cumulative Increase	43.3	42.8	47.5

NTID notes that it has additional problems in relation to salary levels. For example, clerical and professional salaries at NTID, excluding administrators, are below the local market. This is partly because corporations such as Xerox and Kodak make their homes in Rochester and can offer exceptionally high salaries. NTID believes that its fringe benefit package also contributes to the problem. The Institute has chosen a group of schools that it believes it should be compared to for this purpose. Benefits at NTID, as a percent of salary, are approximately 24 percent. At most of the universities that RIT and/or NTID has chosen for comparison purposes the average is over 30 percent.

The U.S. General Accounting Office on pages 106 and 107 of its March 1985 report to Congress entitled, Educating students at Gallaudet and the National Technical Institute for the Deaf: Who are Served and What Are the Costs? stated, "...While NTID average salary for each rank was higher than the median salaries for seven 2-year vocational-technical institutions in New York and five New York community colleges selected by NTID as similar institutions, NTID's average compensation for all ranks combined was less than the

median compensation for the comparison schools. In addition, in comparing NTID's average compensation with the average compensation of its sponsoring institution, RIT, we found that NTID's was lower by $2,700." However, the faculty and students at NTID and RIT are different, so the differential in salary may be warranted. For example, GAO found that NTID had relatively fewer faculty in the higher academic ranks compared with the number in the lower ranks.

The Rochester Institute of Technology plans to grant a 6 percent increase for next year. It has the right to do so as an independent, private University. However, NTID believes that the Federal Government, despite fiscal constraints of its own, should be tied to increases dictated by this private university whose circumstances are not the same as NTID. It believes that either a 2 percent increase or 4.1 percent increase would be politically disruptive. RIT does not provide any of the funding for NTID, and its contract with the Department of Education requires it to maintain separate records for all services and charges made to NTID. However, NTID considers its employees to be RIT employees for the purpose of salary and benefit increases, and as such has stated that they should receive equal treatment. They cite a general provision of the Agreement between the Secretary of Education and the Rochester Institute of Technology for the Establishment of the National Technical Institute for the Deaf to support its position. That provision is stated on page 8: "Except as otherwise herein provided, in the construction, equipment, and operation of the Institute, the Sponsor shall observe and be guided by its normal institutional practices which govern the operation of its educational institution...."

CONSTRUCTION

Question: The budget request for NTID includes $932,000 for a comprehensive program of repairs and reconstruction. The justification states that the size and nature of the request indicates that there may be severe problems with the management of maintenance. Has an evaluation of current practices and policies been undertaken?

Answer: NTID agrees that structurally, the dormitories are relatively new, but points out that they are not requesting funds for structural repairs in this request. In 1982, the Federal Government appropriated $2,729,000 for construction and remodeling to expand the capacity of NTID to handle increased enrollments anticipated as a result of the rubella epidemic of 1964-65. In 1985, an additional $1,400,000 was appropriated to reimburse the Rochester Institute of Technology for costs incurred to correct design deficiencies in the brickwork on the three NTID dormitories. The funds requested for 1990 are primarily for repairs and renovations. The Department requested $932,000 to remedy immediate safety and security concerns. However, the Department is concerned that proper planning may not have occurred because of the extent of the maintenance problem. At the same time that maintenance was being deferred, programs and outreach activities were expanded. These expansions represent worthwhile activities, but a balance must be reached to ensure that a safe, secure environment is provided to students and the facility is properly maintained. The Department does not believe that it should establish a practice of providing separate appropriations for maintenance.

NTID contends that it places a high priority on the maintenance of facilities and has a sound maintenance and repair procedure, but eventually, there comes a time when replacement of items or improvements are the only alternative. They note that they have funded some of these projects through the operating budget. For example, low cost high priority projects such as roof repairs, carpet and drape replacement, repairs of heating and air conditioning systems, sidewalk repairs, and strobe light replacements have been supported through current operating funds.

NTID cites limitations resulting from what it considers to be a relatively flat Federal appropriation as severely impairing their ability to make major repairs and renovations. However, the Federal appropriation for operations increased 91 percent between 1980 and 1989, well above the general rate of inflation. During this period, the renovations for which funds are requested were postponed. The Department is concerned that NTID waited until a crisis occurred before coming to the Federal Government for assistance.

The Institute takes exception to the implication that it has been deficient in its approach to building maintenance. NTID contends that the majority of the items for which funding is requested would not normally be considered part of a normal routine maintenance program. The Institute believes that items such as strobe lights, smoke detectors, roof replacements, heating system replacements, and sidewalk replacements should not be considered routine maintenance expenditures. For this reason, provisions were not made for replacing these items. NTID says that it would welcome the input of the Department in attempting to solve the dilemma of funding capital expenditures; however, it does not have plans to conduct an evaluation of current practices or policies toward maintenance or planning for capital improvements.

Question: It is my understanding that you asked for $3.0 million in repairs, improvements, and replacements in fiscal year 1990. It would seem to be in the best interest of NTID to develop such a plan, and I hope that you will work with the Department of Education in this regard. Please provide for the record the dollar amounts spent on maintenance and improvements for fiscal years 1984-1989.

Answer: The following represents expenditures for maintenance made in the dormitories for fiscal years 1984 through 1989. These estimates do not include routine cleaning or housekeeping services. They represent funds spent to repair or replace items and capital projects which would extend the useful life of the dormitories. Not including funds from outside sources such as tuition and fees, in most years, this amounted to less than 1 percent of the funding for operations.

Year	Maintenance Expenditure	Maintenance as a % of Federal Approp.
1984/85	$245,000	0.8
1985/86	234,000	0.8
1986/87	481,000	1.5
1987/88	261,000	0.8
1988/89 est.	303,000	0.9

Question: Have you developed a long-range plan for capital improvements, and if not, do you intend to develop a plan?

Answer: During fiscal year 1988, NTID conducted a review to determine what repairs and improvements need to be made in the dormitories over the next several years. The projects that resulted from this review were combined to arrive at the original request of $3.0 million. NTID considers this request as its long range plan. This is because, while total funding was requested as part of the fiscal year 1990 request, it will take several years to complete all of the projects.

BUDGET INCREASE

Question: The budget justification for the Department of Education requests $34,321,000 for NTID, a 3.6 percent increase over fiscal year 1989 funding levels. The Department states that NTID should receive $428;000 in increased revenue from tuition and fees in fiscal year 1990. Is this an accurate figure, and did you factor that increase into your fiscal year 1990 budget request?

Answer: Although the total package of tuition, room, board and fees is increasing from fiscal year 1989 to fiscal year 1990 from $6,776 to $7,179, NTID does not anticipate that it will realize the full $428,000 estimated by the Department for increased revenue in 1990. The year to year change in non-Federal funds is basically a function of the change in two variables: the rates charged to students and the number of students that will be paying those rates. In this case, the increase revenue will be somewhat offset by the previously discussed decline in enrollment. NTID estimates that the actual increase in non-Federal revenue, based on a projected fall enrollment of 1,150, may be as small as $266,000. NTID states that the submission for fiscal year 1990 took this increase into account and that they plan to use it to partially offset an increase in institutional service charges from the Rochester Institute of Technology.

NATIONAL PRINTING HOUSE FOR THE BLIND

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: The Printing House has two advisory committees, one of which establishes the need for new publications. Because of the decreased Federal support for publications, are there materials that the Printing House has not been able to make available to students?

Answer: Since the time of the original Act to Promote the Education of the Blind, the board of trustees of the American Printing House for the Blind has been mandated to request the superintendents of every institution for the education of the blind to send a list of the books they deem most desirable to the trustees so they may select for publication the books that received the greatest number of votes. The Printing House uses the Publications Committee to make these determinations, which are then approved by the ex officio trustees as a group. This ensures that the selection of titles to be published comes through an advisory committee of

professionals in the field. However, textbooks are updated on a periodic basis, so a given title or edition need not be reissued each year. Once a master is created, additional copies are run as needed. The number of publications that the American Printing House for the Blind makes available for blind students is related to the amount of the Federal appropriation. The 1990 request will allow APHB to continue to add new titles to its inventory next year.

INPUT FROM STATES ON MATERIALS

Question: Given the diverse needs of blind students and the existence of several sources of educational material, it has been suggested that consideration be given as to how Federal funds might best be used to ensure that a minimum level of material is available to the States. Have you received any input from the States about the quality of services you are providing? What sets you apart from other suppliers?

Answer: The States have ongoing input regarding the types and quality of services provided, types of materials developed, and textbooks published in braille, large type and recorded formats. The Printing House currently has 161 ex officio trustees. These are the individuals responsible for ordering materials purchased with the Federal appropriation. They meet annually to review new products produced and other services of the American Printing House for the Blind (APHB).

The Printing House focuses on educational materials needed by precollege level blind students. These materials include textbooks in braille, large type and recorded formats, special tools and teaching aids, braille training materials, low vision training materials, early childhood materials, microcomputer hardware and software, and other materials. These materials generally are not available on a commercial basis. The process for providing these materials involves the identification of needs, research and development, production, and delivery of educational materials.

Two advisory committees, the Research Committee and the Publications Committee, meet biannually to identify research to be conducted and textbooks to be published. Each committee consists of seven ex officio trustees who serve three-year terms, and are nominated by the full body of ex officio trustees. The individuals on these committees represent a range of service delivery systems and geographical areas around the country and provide invaluable input to APHB.

New materials and teaching aids are developed and produced each year to provide blind students access to current educational programs. A finished products inventory of $3 million is maintained to ensure timely delivery of materials to meet student needs. Approximately 350 products are presently offered in the educational aids, tools, and supplies product lines.

COORDINATION OF ACTIVITIES

Question: What efforts do you make to coordinate the activities of the Printing House with other Federal, State, or nonprofit organizations so that education materials are provided to the blind as inexpensively as possible?

Answer: Educational materials provided through the Federal appropriation supporting the Act to Promote the Education of the Blind are as inexpensive as possible for several reasons. First, the appropriation includes funds for educational and technical research. This means that development costs do not have to be recovered through the sales price. Second, APHB provides educational materials under the appropriation at cost. There is no profit on these sales. Third, because of the assurance the appropriation offers for a market for special educational materials, APHB has purchased, at its own expense, the specialized equipment required to produce these materials in a cost-effective way.

Regarding coordination, the professional staff at the American Printing House for the Blind (APHB) stays in close contact with other professionals working in the area of education and rehabilitation of blind persons. This is done formally through service on committees, by inviting other professionals to serve on our committees, and through personal contact made in the course of work related activities. Examples include:

(a) A set of materials initially developed through a federally funded project awarded to the Blind Babies Foundation in San Francisco is being further refined and readied for publication by APHB;

(b) The director of APHB's research program recently met with the Director of the American Foundation for the Blind's National Technology Center in order to be fully apprised on one another's activities;

(c) Contact is maintained with the Federal Rehabilitation Research and Training Center in Blindness and Low Vision at Mississippi State; and,

(d) APHB staff meet regularly with the Director of the National Federation of the Blind's Director of Research in joint endeavors.

HOWARD UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MATCHING THE ENDOWMENT APPROPRIATIONS

Question: Since the University has increased its gift revenue in recent years, why haven't you committed a greater portion of the University's gift revenue to the endowment in order to match the Federal contributions?

Answer: The University makes every effort to generate new gifts to support the matching endowment program. Since 1985, the University has generated $6.7 million in contributions compared to $7.9 million in cumulative appropriations available, representing approximately 85 percent.

Many gifts received contain donor provisions that restrict their use to current operating purposes or to support student loan funds. These gifts cannot be used to add to the endowment fund.

All gifts received by the University that can be appropriately applied to the endowment funds have been so applied.

FUND RAISING EFFORTS WITH ALUMNI

Question: What other efforts have you made in enhancing contributions to the University?

Answer: The University has a multi-faceted program to enhance contributions to the University. This continuing program involves efforts to solicit contributions from alumni, faculty and staff, corporations, foundations and other organizations and associations. Methods of solicitation include direct mailings, targeted corporate marketing, direct proposals and grant request to foundations and organizations, annual alumni giving programs, and annual employee giving programs.

ACCREDITATION PROBLEMS WITH LAW, MEDICAL, AND ENGINEERING SCHOOLS

Question: Dr. Cheek, your representatives have cited the need for construction funding over and above the budget request to the Administration, to meet certain inadequacies in your facilities that have led to negative reports by the accrediting bodies that accredit Howard's Law School, Medical School, and Engineering School.

Can you tell me if the lack of adequate facilities is the only problem with the University's programs, cited by these accrediting bodies?

Answer: No, it is not. Although the accrediting associations emphasized the need for improved facilities, other areas for improvement were also noted. In the case of the School of Law, the accrediting body recommended increases in faculty salaries, more faculty research and scholarly productivity, the expansion of the library collection, and an improved bar-passage rate for graduates.

With respect to the School of Engineering, the accrediting body noted that engineering faculty salaries have not kept pace with either inflation or the market. The accrediting body also recommended the adoption of a plan for the regular upgrading of laboratories and equipment, the addition of full-time faculty, and decreasing reliance on visiting faculty. The accrediting body noted the trend toward broader liberal arts training for engineers and recommended increasing the social science component of the undergraduate program.

With respect to the College of Medicine, the accrediting body has cited among its areas of concern: (1) inadequate physical facilities; (2) an inadequate medical library; (3) limitations on faculty research opportunities due to excessive teaching demands; and (4) limited financial resources to support faculty increases, ancillary activities, and research.

Finally, it should be noted that each of the three schools mentioned is accredited. Accreditation reports always make note of areas which need improvement. These may vary in importance from matters which would be desirable, to those which, if left unchanged, could eventually threaten accreditation.

Question: What other measures is the University taking to address these accreditation deficiencies?

Answer: Recommendations to improve the Law School's facilities have received major attention. An architectural firm was retained to make proposals on whether to renovate existing facilities or to construct a new structure. As a result of the firm's studies, the University expects to move forward with the construction of new facilities for the Law School and the law library.

The University has also taken measures to address other accreditation problems in the Law School. For example, effective October 1, 1988, faculty salaries were increased to bring them in line with comparable law schools. Beginning with FY 1989-90, the budget for faculty research will be tripled to enhance scholarly productivity. The law library has developed a collection plan to enhance the library collection, estimated to cost an additional $50,000 per year. To improve the rate of students passing the bar, the Law School faculty has adopted admissions standards which have resulted in entering classes comprised of students from the top quartile of all minority applicants who apply to American law schools. In addition, increased financial assistance has been provided to attract students with stronger credentials. The faculty has also developed academic programs designed to provide comprehensive knowledge to significantly improve the bar-passage rate for graduates.

The School of Engineering is in the third year of a planned program of laboratory upgrading. Salary increases were received during 1988-89 and proposals are being developed whereby high demand faculty may be offered still more competitive compensation. To respond to the trend toward broader liberal arts training for engineers, the undergraduate curriculum has been revised to include additional courses in the social sciences and humanities. In

addition, to decrease its reliance on visiting faculty, the School is actively recruiting to replace visiting professors with permanent faculty.

The College of Medicine has developed a plan to address its significant problems. To address excessive teaching demands, additional funds are being sought internally and externally to increase the size of basic science and clinical faculty, and to increase faculty salaries. The medical curriculum is under review by a faculty committee that will make recommendations for revisions. The research appropriation to the University will provide assistance to address limitations in the number of research programs available for student and faculty participation. The University has developed plans for the construction of a new Health Sciences Learning Resource Center to replace the current medical library.

RELATION OF PER-STUDENT EXPENDITURES TO ACCREDITATION PROBLEMS

Question: Dr. Cheek, you and your staff have pointed out to this committee that Howard University must exist on a shoestring compared to the other universities in the area. Yet, according to annual, self-reported data, of all the Capital-area universities, Howard has the highest educational and general (E&G) expenditures per student of all these universities.

Can you explain why three of Howard's schools are facing accreditation problems when the University spends more per student than any university in the area?

University	Expenditures Per Student
Howard	$22,488
Georgetown	17,850
George Washington	14,450
University of D.C.	14,440
Catholic University	11,432
American University	10,329
University of Maryland	9,117

Source: 1986 Higher Education General Information Survey self-reported data.

Answer: Recommendations for improvement by accreditation agencies with respect to three of Howard's schools reflect the need for additional financial support for those units of the University. This fact is not directly related to average educational and general expenditures per student for the University as a whole.

Without a detailed analysis of the relative scope of programs, student characteristics, enrollments, and class size, a full explanation of the ranking of area universities in terms of per-student costs is not possible. Professional programs in the health sciences contribute heavily to per-student costs. Howard University operates five schools in the health science professions. None of the metropolitan area private universities provides such a broad scope of offerings. Advanced graduate programs contribute

heavily to per-student costs. Howard University offers a broad range of doctoral programs which, during a period of development and maturation, may have enrollments below maximum capacity.

Howard seeks to serve many students who, while they have good ability, display in their preparation the continuing subtle effects of discrimination. These students require more supportive services than would be true of a different student population. Nevertheless, the development of the potential of these students is central to the mission of Howard University.

Finally, if we look beyond the local region, Howard University is in excellent company with respect to expenditures per student. In the 1988-89 rankings, Howard stands 33rd in the Nation, with per-student E&G expenditures of $22,483. Johns Hopkins University, in nearby Baltimore, ranks seventh with per-student expenditures of $58,458. Vanderbilt University ranks next to Howard (34th) with per-student expenditures of $22,403. Among the schools with higher per-student expenditures than Howard are Brandeis, Northwestern, Case Western Reserve, Emory, Princeton, Yale, and Stanford.

FACILITIES

Question: In the area of facilities, I am informed that the University has a cap of $150,000,000 in bonding authority allowed by the District of Columbia for the construction of facilities. However, the University has only utilized approximately $70,000,000 of that authority.

What are your plans for the remaining bonding authority allowed to the University?

Answer: We have used $67,000,000 to construct two apartment buildings, which are near completion, to house graduate married students and professional students. We plan to use the other $83,000,000 available to construct two new housing facilities and a new facility for the School of Law.

Question: Dr. Cheek, are you at all concerned about the total level of debt that the University will be taking on in utilizing its entire bonding authority?

Answer: The University is concerned that its construction needs and the ability to finance these needs through the issuance of bonds be kept in perspective. Since the current Howard University Series A Bond Act limits the amount of additional bonds the University may issue, any further indebtedness under the bond authority would put further dependence on tuition and fee revenue.

Until 1984, the Federal appropriation to Howard included a construction component which provided a substantial source of financing for capital construction projects. Since that time, no Federal appropriation for construction has been provided, and the University has had to finance its capital construction needs solely through internally generated revenues, which are limited, and through bond financing, which requires collateral including pledges of tuition and fee revenues. The University's ability to use bond financing is limited. Therefore, it is essential that the Federal appropriation for construction be restored.

SUBSIDIZING FOREIGN STUDENTS AT HOWARD

Question: Dr. Cheek, this Committee has expressed concern in the past with the large percentage of students at Howard who are from foreign countries. My understanding is that the University has roughly 17 percent foreign enrollment and that these students are charged the same tuition as American students. Since the University is subsidized by the American taxpayer to approximately 70 percent of the University's budget, do you believe it is appropriate for us to question whether we should be subsidizing these foreign students? Or, do you feel that such a high enrollment of foreign students is consistent with the University's mission?

Answer: The Committee's concern about subsidizing foreign students has been well documented during the past several years. The University's position has remained unchanged for many reasons:

- Howard University has had foreign students on its campus since 1869. The majority of the foreign students come from less developed countries. Many of these Nations have a favorable relationship with the United States. Howard has enjoyed a national and international reputation for excellence during its 122 years of existence. This has been due to its academic record and the fact that it has not imposed a differentiated tuition structure.

- Howard believes that the current tuition structure contributes to the education and development of the disadvantaged and that it is in our national interest to continue to provide education at a reasonable cost to students from developing countries. Most major universities in the United States do not charge a separate tuition rate solely on the basis of being a foreign student.

- Howard's position regarding foreign student tuition surcharges is supported by the U.S. Department of State. We understand that the State Department supported a justification for not charging a different tuition rate to foreign students as outlined in a September 25, 1979, memorandum on this issue by Mr. Frederick M. Bohen, then Assistant Secretary for Budget and Management of the Department of Health, Education, and Welfare.

(Note from the Department of Education: The Department of Education recently raised with the Office of Management and Budget the issue of whether increases in tuition amounts charged to Howard's foreign students would have adverse consequences on foreign policy. OMB reviewed the proposals, conferred with the U.S. Information Agency, the agency with the lead to Federal policy regarding foreign students in the U.S., and notified the Department of Education that the change in tuition policy would be unlikely to conflict with policies toward foreign governments.)

RECENT UNREST ON HOWARD CAMPUS

Question: Dr. Cheek, during the recent unrest on Howard's campus, the press often cited the position of some University officials that the unrest was largely due to their view that Howard has not been adequately supported by the Federal Government.

Do you believe this was the primary force behind the recent unrest?

Answer: No, I do not. None of the issues raised by the students in the recent protest was directed toward the Congress of the United States or any of its actions.

Question: What can you report to us on the current status of relations with the students on campus?

Answer: Currently, board members, administrators, and student delegates are meeting to establish various dialogues and working relationships in order to reach an understanding of and develop viable solutions to the issues prompting the recent demonstration.

Question: Are things effectively "back to normal?"

Answer: Currently, the regular daily academic process is being conducted without any distractions in the classrooms or the administrative offices.

CRITICAL FUNDING NEEDS

Question: Dr. Cheek, please provide a detailed list of funding needs that you define as critical that are not reflected in the administration's fiscal year 1990 request for the University. Please explain why each of these needs are "critical" in your view.

Answer: All of our funding needs relate to well-documented accreditation deficiencies, deferred maintenance on our buildings and grounds, below national average faculty and non-faculty salaries, and inadequate funding for instructional and academic support programs. As a comprehensive research institution of the first rank, a blueprint for addressing these needs is my top priority. Specifically, we need additional funding for academic programs in the amount of $22,200,000 to address the following needs:

Built-in salary increases:	
Faculty salaries increases	$7,900,000
Non-faculty increases	4,200,000
Subtotal, built-in increases	12,100,000
Other academic programs:	
University libraries	1,800,000
School of Law	1,900,000
College of Medicine	2,200,000
School of Engineering	2,300,000
School of Business and Public Administration	1,900,000
Subtotal, other academic programs	10,100,000
Total	22,200,000

In addition, we need additional funding for construction at the University for FY 1990 in the amount of $38,000,000 for the following projects that relate to cited accreditation deficiencies:

Health Sciences Learning Resources Center	$15,000,000
School of Law Center	16,000,000
University Computer Center	7,000,000
Total	38,000,000

Finally, we need an increase of $5,000,000 for the Howard University Hospital. The Hospital has received level or reduced funding since 1977. At a time when the Medicaid/Medicare reimbursement rate has been lowered, the number of nonpaying (indigent) patients and the cost of health care delivery, including nursing services, have increased.

SUBCOMMITTEE RECESS

Senator HARKIN. The subcommittee will stand in recess, to reconvene at 2:30 p.m.

[Whereupon, at 12:30 p.m., Tuesday, April 4, the subcommittee was recessed, to reconvene at 2:30 p.m., the same day.]

(AFTERNOON SESSION, 2:37 P.M., TUESDAY, APRIL 4, 1989)

The subcommittee met at 2:37 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin and Burdick.

DEPARTMENT OF EDUCATION

ELEMENTARY AND SECONDARY EDUCATION

OFFICE OF SPECIAL EDUCATION REHABILITATION

VOCATIONAL AND ADULT EDUCATION

STATEMENT OF CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

ACCOMPANIED BY:

DANIEL BONNER, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ALICIA CORO, ACTING DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

PATRICIA McGILL SMITH, ACTING ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

BONNIE GUITON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

SALLY CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

OPENING REMARKS

Senator HARKIN. The Subcommittee on Labor, Health and Human Services, and Education and Related Agencies will come to order. The committee will now continue its hearings on the fiscal year 1990 budget request for the Department of Education.

This afternoon we will focus on the budget request for elementary and secondary education, the Office of Special Education Rehabilitative Services, and Vocational and Adult Education.

One area that I wish to pursue in detail is our efforts at educating our children on the dangers of alcohol and drug abuse through the Drug-Free Schools and Communities Act.

Just 2 weeks ago, President Bush addressed an assembly of high school students in Lancaster, PA. The ranking minority member of this subcommittee, Senator Specter, was in attendance.

In that speech, President Bush said, "You know we often think of drug abuse as an urban, inner-city phenomenon. Millions of Americans think of their own communities and they say it can't happen here. Well, the people of rural Pennsylvania know that is not true."

Well, I can tell the President that the people in my largely rural State of Iowa also know that it is not true. In the last two years,

we in Iowa have seen frightening growth in the number of drug arrests and seizures.

The State laboratory in Iowa, which must analyze all seized drugs for pending court cases, has become so overburdened that they are now using confiscated drug money to hire staff.

Crack is permeating some of the most rural and stable communities in Iowa. Rural America has also fallen victim to the growth in the production of crank, a methamphetamine that is commonly produced in make-shift factories in rural areas.

Not only are we less able, or less prepared I should say, in rural communities to deal with the problem, but we have these special problems like crank.

Very early in his administration, President Bush told the people of the United States that our efforts at drug interdiction and enforcement will only go so far, and that the most important element in the war on drugs is education and demand reduction.

So, this afternoon I want to pursue in some detail how the education department is implementing the provisions of the Anti-Drug Abuse Act of 1988.

Given the challenge that we face as a Nation in combatting drug abuse, it is critical that our Federal funds in the area of drug education are spent wisely and effectively.

I also wish to pursue the budget request for special education and rehabilitative services. The President's request appears to be the bare minimum necessary to maintain services for these programs.

For the Special Education State Grants Program, the request falls well short of meeting the CBO estimate for inflation. The request for vocational rehabilitation meets only the minimum required by law. I might add also at this point, that I also chair the authorizing subcommittee on the handicapped of the Labor and Human Resources Committee, so I am not only interested in this from an appropriations standpoint, but also from the authorizing standpoint.

Even more disturbing is the President's budget amendment transmitted last week calling for a cut of $23 million from the levels already enacted for these programs in fiscal year 1989. Mr. Kolb, you and I discussed that a little bit this morning. And I do not know if we have got that cleared up yet or not. Maybe we have, I do not know.

A 1985 Harris poll commissioned by a presidential commission showed that two out of three disabled individuals who are unemployed want to work.

Today, with changing technologies, being disabled does not have to mean unemployed. Nor does being disabled mean the inability to obtain an education. The disabled are not looking for a handout, they are looking for a hand up.

With that in mind, we not only must insure that the Federal commitment remains strong, but also that every penny we spend on education, rehabilitation, and research is spent wisely to reach as many people as possible with state-of-the-art methods.

I will now keep the record open at this point for any opening statement that Senator Specter might have.

We welcome back to the subcommittee, Charles Kolb, Deputy Under Secretary for Planning, Budget, and Evaluation. And let me make sure I know who else is here.

Daniel Bonner, Acting Assistant Secretary for Elementary and Secondary Education; Alicia Coro, Acting Director, Office of Bilingual Education and Minority Languages Affairs; Patricia McGill Smith, Acting Assistant Secretary for Special Education and Rehabilitative Services; Bonnie Guiton, Assistant Secretary for Vocational and Adult Education; and Sally Christensen, Director, Budget Service, Office of Planning, Budget, and Evaluation.

Well, Mr. Kolb, welcome back to the subcommittee. You are going to have to take up residency here pretty soon.

Mr. KOLB. It feels that way, Mr. Chairman.

Secretary HARKIN. Well, again, welcome to the subcommittee, and your statement will be made a part of the record in its entirety. And please, go ahead and proceed as you desire.

SUMMARY STATEMENT OF CHARLES KOLB

Mr. KOLB. All right. Thank you very much, Mr. Chairman. I am pleased to be back before you today to discuss the 1990 budget for the Department of Education in the areas of elementary and secondary education, bilingual education, vocational and adult education, and special education and rehabilitative services.

I would like to summarize my statement and request that the full text be inserted in the record.

Senator HARKIN. Without objection.

Mr. KOLB. Thank you.

The budget now before you is the one submitted by former President Reagan on January 9, 1989. A month later, on February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives.

In total, President Bush is proposing $441 million in new education initiatives, of which $413 million would be for programs in the accounts before you this afternoon.

I would now like to highlight these specific initiatives.

We are requesting $250 million for a new presidential merit schools program to reward schools that make substantial progress in raising students' educational performance in creating a safe and drug-free school environment, and in reducing the dropout rate.

The President's awards for excellence in education at $7.6 million, recognizes the critical educational role played by teachers, by awarding $5,000 to elementary and secondary school teachers in every State who meet the highest standards of excellence.

For a new program of alternative teacher and principal certification, $25 million would provide one-time grants to interested States to establish or augment alternative certification programs which would enlarge the Nation's supply of good teachers and principals.

A new Magnet Schools of Excellence program, at $100 million, would support the establishment, expansion, or enhancement of magnet schools for other than desegregation purposes.

Magnet schools have been highly successful in their communities, and by increasing educational choice and competition among

schools, have resulted in improvement in the quality of all schools in their districts.

The President is committed to ridding the Nation's schools of drugs. For ongoing activities in the Drug-Free Schools and Communities program, President Bush is requesting $367 million, a $12 million increase over 1989.

In addition, the President is proposing $25 million for a new Drug-Free Schools and Communities Urban Emergency Grants program to enable the most seriously affected urban school systems to develop and implement comprehensive approaches to achieving a solution to their drug problems.

The Nation must address the tragedy of homelessness. President Bush's budget proposal for 1990 requests funding for the Stewart B. McKinney Homeless Assistance Act programs at their full authorization levels. For literacy training for homeless adults, we request $10 million, and for education of homeless children, we request $7.5 million.

I will now describe the highlights of President Reagan's budget proposals. The 1990 budget, transmitted by President Reagan on January 9, 1989, included $11.6 billion for the programs that are before you now.

For compensatory education for the disadvantaged, the Reagan request is $4.7 billion, an increase of $151 million over the 1989 appropriation. This program, which accounts for almost 22 percent of the 1990 budget request, is the largest Federal program at the elementary and secondary level affecting children enrolled in about 14,000 school districts, or about 90 percent of the districts in the Nation.

President Reagan's budget includes $1.2 billion for school improvement programs. Included are funds for three State formula grant programs, chapter 2 State block grants, drug-free schools State grants, and the Dwight D. Eisenhower mathematics and science State grants, as well as numerous smaller programs designed to provide Federal assistance in specific areas of national need.

The budget proposal includes $155.3 million for five programs that help strengthen the professions of teaching and school administration, math and science instruction, the fund for the improvement and reform of schools and teaching, known as FIRST, territorial teacher training, leadership in educational administration, and the Christa McAuliffe fellowships.

The Reagan budget includes nearly $15.7 million for the fund for innovation in education, including technology education, computer-based instruction, and comprehensive school health education.

To assist school districts in desegregation, magnet schools in desegregating districts would be funded at $114.6 million, including $1 million for a national study of magnet schools, and training and advisory services would receive $23.4 million to enable State educational agencies and desegregation assistance centers to continue providing technical assistance at the request of local school districts.

The budget request of $629.3 million for impact aid, maintains the Federal Government's commitment to compensate school districts for the costs of educating so-called "a" children, those whose parents both live and work on Federal property.

The request proposes to eliminate payments for "b" children, those who reside or whose parents work on Federal property, because these children do not represent a burden to their school districts.

One of our highest priorities is addressing the special needs of limited-English-proficient students, who currently drop out of school at alarming rates. The Reagan budget proposal includes $204.1 million for bilingual immigrant and refuge education, an increase $6.7 million.

President Reagan's budget maintains a high priority on programs that enhance educational and vocational opportunities for handicapped persons. The budget includes $2 billion for education for the handicapped programs, an increase of nearly $53 million, for over 4.3 million handicapped children. And $1.7 billion for rehabilitation services and handicapped research, an increase of $64.2 million, for about 1 million disabled adults.

For vocational education programs, the Reagan request includes $942.2 million, an increase of $31 million over the 1989 appropriation, for the Department's proposed reauthorization legislation for the Perkins Act, which will be submitted to the Congress very soon.

The proposed reauthorization would both strengthen and improve vocational education programs by increasing accountability in vocational education, substantially reducing the complexities of the existing law, maintaining emphasis on equity and program improvement, and increasing educational choice.

Just as the fight against adult illiteracy has become a national priority, programs for adult literacy remain a high departmental concern. The budget requests $160.7 million, the highest level ever for adult education state programs.

Mr. Chairman, I have discussed the highlights of both the Bush and the Reagan budget proposals that you have before you this afternoon. These proposals demonstrate our strong commitment to insuring that every American has complete access to a quality education.

PREPARED STATEMENT

My colleagues and I would now be happy to answer any questions that you or the subcommittee members may have at this time.

Thank you very much.

[The statements follow:]

STATEMENT OF CHARLES E.M. KOLB

I am pleased to appear before you to discuss the 1990 budget for the Department of Education in the areas of elementary and secondary education, bilingual education, vocational and adult education, and special education and rehabilitative services.

The budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs. The 1990 budget levels for these programs are the starting point of negotiations between the Administration and Congress. Pending the outcome of these negotiations, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them will be included in the eventual compromise budget solution.

To offset necessary increases proposed in 1989 discretionary appropriations, the President is proposing a Government-wide across-the-board reduction of about 1.1 percent in 1989 appropriations for programs in the President's 1990 budget plan in the residual category. For the Department of Education, this means a total decrease of $185 million from the 1989 appropriated amount.

President Bush's Initiatives

In total, President Bush is proposing $441 million in new education initiatives, of which $413 million would be for programs in the accounts before you this afternoon. I will now highlight the specific initiatives President Bush is proposing.

We are requesting $250 million for a new Presidential Merit Schools program. This program would reward schools that make substantial progress in raising students' educational performance; make progress in creating a safe and drug-free school environment; and reduce the dropout rate. These funds may be used for any purpose that furthers the school's educational program.

The President's Awards for Excellence in Education, at $7.6 million, recognizes the critical educational role played by teachers. This program would provide national recognition to outstanding teachers who are committed to high standards of performance for themselves and their students. Awards of $5,000 would be given to elementary and secondary school teachers in every State who meet the highest standards of excellence.

For a new program of Alternative Teacher and Principal Certification, we are requesting $25 million. This program would provide one-time grants to interested States to establish or augment alternative certification programs, which would enlarge the Nation's supply of good teachers and principals. The program would help States bring highly qualified persons including engineers,

scientists, other subject matter specialists, and persons with management experience into the education profession.

A new Magnet Schools of Excellence program, at $100 million, would support the establishment, expansion, or enhancement of magnet schools for other than desegregation purposes. Magnet Schools of Excellence would be public elementary or secondary schools that offer high-quality instruction in an academic or vocational discipline through curricula and activities of an exceptional or innovative nature. Magnet school programs have proven to be highly successful in their communities, and by increasing educational choice and competition among schools, have resulted in improvement in the quality of all schools in their districts.

The President is committed to ridding the Nation's schools of drugs and reducing the demand for and use of drugs throughout the country. For ongoing activities in the Drug-Free Schools and Communities program, President Bush is requesting $367 million, a $12 million increase over 1989. These activities include grants to States and institutions of higher education for drug prevention education as well as a variety of other programs to help teachers and students get drugs out of their schools and neighborhoods.

In addition to support for ongoing activities, the President is proposing $25 million for a new Drug-Free Schools and Communities Urban Emergency Grants program. The prevalence of drug use in many of our communities constitutes a serious impediment to learning among students and is a major cause of violence in our Nation's schools. This problem is particularly acute in major urban areas. To assist in alleviating this critical problem, the President is proposing to provide emergency grants to a limited number of the most seriously affected urban school systems to develop and implement comprehensive approaches to achieving a solution to their drug problems.

The Nation must address the tragedy of homelessness. President Bush's budget proposal for 1990 requests funding for the Stewart B. McKinney Homeless Assistance Act programs at their full authorization levels. For Literacy Training for Homeless Adults we are requesting $10 million, a 41 percent increase over the 1989 level. The request for Education of Homeless Children and Youth is $7.5 million, of which $2.5 million would be used to implement a new program to support and disseminate information on exemplary activities addressing the needs of homeless children.

President Reagan's Budget Proposals

I will now describe highlights of President Reagan's budget proposals. The 1990 budget transmitted by President Reagan on January 9, 1989, included $11.6 billion for the programs now before you.

The Reagan budget request for these programs reflects a continuing commitment to meeting the special educational needs of disadvantaged children, and to increasing accountability for our education investment so that we do more with existing resources. The budget would continue to support programs for which there is a clear Federal responsibility and that enhance educational

opportunities for poor, disadvantaged, handicapped, and limited English speaking students, teach basic academic and literacy skills, and improve education quality.

Compensatory Education Programs

For Compensatory Education for the Disadvantaged the Reagan request is $4.7 billion, an increase of $151 million over the 1989 appropriation. This program, which accounts for almost 22 percent of the 1990 budget request, is the largest Federal program at the elementary and secondary level, affecting children enrolled in about 14,000 school districts, or about 90 percent of the districts in the Nation. The proposed level includes $3.9 billion for Chapter 1 Basic Grants and $263 million for Concentration Grants. The remaining $559 million would be allocated for Even Start, Capital Expenses for Private School Children, State Agency programs, State administration, State program improvement grants, and evaluation and technical assistance activities.

School Improvement Programs

President Reagan's budget includes $1.2 billion for School Improvement Programs. Support for programs in this account reemphasizes the Federal dedication to the goals of stimulating educational reform, promoting educational excellence, giving teachers and administrators the opportunity to upgrade their professional skills, and helping to rid the Nation's schools of drugs. Included in this request are funds for three State formula grant programs--Chapter 2 State Block Grants, Drug-Free Schools State Grants, and the Dwight D. Eisenhower Mathematics and Science State Grants--as well as numerous smaller programs designed to provide Federal assistance in specific areas of national need.

For Chapter 2 programs, President Reagan requested $507 million, a 3.4 percent increase over the 1989 level. The Chapter 2 State Block Grant program, at $478.7 million, has been highly successful at promoting educational improvement and reform. At the national level, Chapter 2 supports five programs with a variety of specific purposes--the National Diffusion Network, Inexpensive Book Distribution, Arts in Education, Law-Related Education, and Blue Ribbon Schools.

Strengthening Teaching and School Administration

The budget proposal includes $155.3 million--an increase of $3.9 million--for five programs that help strengthen the professions of teaching and school administration. These programs include formula and discretionary programs aimed at upgrading the quality of math and science instruction, the Fund for the Improvement and Reform of Schools and Teaching, Territorial Teacher Training, Leadership in Educational Administration, and the Christa McAuliffe Fellowships.

Other School Improvement Programs

The Reagan budget proposal includes nearly $15.7 million for the Fund for Innovation in Education, which supports programs that show promise of identifying and disseminating innovative educational

approaches in preschool, elementary and secondary education. Technology education, computer-based instruction, and comprehensive school health education are specifically supported. School Improvement Programs also address special needs such as education for gifted and talented students, at $7.9 million, and education for homeless children and adults, at $7.5 million.

President Reagan's budget also includes funds for two programs that assist school districts in their desegregation efforts. For Magnet Schools in desegregating districts, the budget request is $114.6 million. Magnet schools have proven to be an effective means of achieving voluntary desegregation and improving educational quality. For Training and Advisory Services, the budget includes $23.4 million to continue technical assistance services provided to local school districts by State education agencies and regional centers.

Impact Aid

The budget request of $629.3 million for Impact Aid maintains the Federal Government's commitment to compensate school district for the costs of educating so called "a" children, those whose parents both live and work on Federal property. The request proposes to eliminate payments for "b" children, those who reside or whose parents work on Federal property, because these children do not represent a burden to their school districts. Under this request, the formula for payments would continue to provide higher rates for districts with higher proportions of federally connected children.

Additionally, the budget proposal earmarks $10 million for districts eligible under Section 3(d)(2)(b). Generally, these are districts that are particularly heavily burdened by the presence of federally connected children and that do not have sufficient funds to provide a level of education equivalent to comparable districts in their States. The request also includes $10 million for Disaster Assistance, with the remainder of the funds going for construction activities and Section 2 payments.

Bilingual Education Programs

An integral part of the Department's campaign to confront the Nation's education deficit involves addressing the special needs of limited English proficient students. These students currently drop out of school at alarming rates. The Reagan budget proposal includes $204.1 million for Bilingual, Immigrant, and Refugee Education, an increase of $6.7 million. In 1990, $115.8 million of the $157.1 million requested for Bilingual Education would support Part A Bilingual Programs. The Department would continue its policy of making new awards based on the quality of the project rather than the choice of instructional approach.

Education for the Handicapped

President Reagan's budget maintains a high priority on programs that enhance educational and vocational opportunities for handicapped persons. The budget includes $2 billion for Education for the Handicapped programs, an increase of nearly $53 million. The Department's programs of Grants to State education agencies would cover approximately 7 percent of the excess costs of providing

over 4.3 million handicapped children with access to a free public education.

About one million physically and mentally disabled adults would receive vocational rehabilitation and independent living support from the $1.7 billion requested for programs in Rehabilitation Services and Handicapped Research, an increase of $64.2 million over last year's level. The budget proposes $1.5 billion, an increase of $60.5 million for vocational rehabilitation State grants. This would allow States to maintain their ongoing programs of rehabilitation services to disabled persons while, at the same time, continue to give priority to severely disabled individuals. The Department recognizes the major contribution that assistive devices and services can make to improving the quality of life of disabled persons of all ages. The budget includes $10.7 million for the Technology Assistance Program, more than double last year's level, reflecting the high priority that the Department has placed on the development and implementation of comprehensive statewide programs of technology assistance.

Vocational and Adult Education

The Reagan budget includes slightly over $1.1 billion for vocational and adult education programs. These programs, when combined with State, local and private efforts, help to prepare a skilled and literate workforce which, in turn, contributes significantly to our Nation's industrial competitiveness and economic growth.

For vocational education programs, the Reagan request includes $942.2 million, an increase of $31 million over the 1989 appropriation. These funds would be used to support vocational education under the Department's proposed reauthorization legislation for the Perkins Act, which will be submitted to the Congress for consideration in the near future. Based on knowledge gained through our experience under the current law, the proposed reauthorization would both strengthen and improve vocational education programs by increasing accountability in vocational education, substantially reducing the complexities of the existing law, maintaining emphasis on equity and program improvement, and increasing educational choice. The Administration's funding request for individual vocational education activities will be specified when the reauthorization proposal is transmitted to the Congress.

Just as the fight against adult illiteracy has become a national priority, programs for adult literacy remain a high Departmental concern. The budget requests $160.7 million--the highest level ever--for adult education State programs. These programs allow States flexible and comprehensive authority to pursue adult education and extensive literacy projects.

I have discussed the highlights of both the Bush and Reagan budget proposals you have before you this afternoon. These proposals demonstrate our strong commitment to ensuring that every American has complete access to a quality education. I would like to insert for the record more detailed statements on the individual programs you have before you today.

My colleagues and I would be happy to answer any questions you may have at this time.

STATEMENT OF DANIEL F. BONNER

Compensatory Education for the Disadvantaged

Mr. Chairman and Members of the Committee:

I am pleased to appear before this Committee to discuss the 1990 budget request for Compensatory Education for the Disadvantaged. The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiations with Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

The Reagan request of $4.7 billion for this account is a $151 million increase over the 1989 appropriation and reflects a continuing commitment to help States and localities meet the special educational needs of disadvantaged children. Secretary Cavazos places the highest priority on programs that benefit the educationally disadvantaged. It is imperative that we continue to do more for the disadvantaged with the resources that we have. The Reagan request responds to that need. This activity makes up one of the largest budget items within the Department, accounting for almost 22 percent of the 1990 request. In addition, President Bush proposes to increase the amount requested for this account under the Reagan budget by $250 million to establish the Presidential Merit Schools program which would provide funds to individual, successful schools for use in furthering their educational programs and goals.

Fiscal year 1990 marks the second year of operation for the Chapter 1 program as reauthorized by the Hawkins-Stafford Elementary and Secondary School Improvement Amendments (P.L. 100-297). The 1990 Reagan budget request reflects many of the key policies established in the new law.

The 1990 Reagan request would increase funding for Basic Grants to Local Educational Agencies and Concentration Grants, the State Agency Migrant and Neglected and Delinquent programs, State Program Improvement Grants, and Evaluation and Technical Assistance. No Chapter 1 funds are requested for Rural Technical Assistance Centers. The remaining Chapter 1 programs and the High School Equivalency and College Assistance Migrant programs would be funded at their 1989 levels.

Grants to Local Educational Agencies

Chapter 1 Grants to Local Educational Agencies (LEAs) are the primary vehicle for providing compensatory education services to the disadvantaged. Within the LEA Grant program, the Reagan budget

requests $3.9 billion for Basic Grants, which is $46.8 million more than the 1989 amount. These funds would be allocated under the Basic Grant formula that distributes funds to school districts that apply and have at least 10 eligible children. Consistent with the policy of targeting resources on areas with the greatest need, the Reagan budget includes $263 million for Concentration Grants, which is a $90 million increase over the 1989 amount. This allocation of funds between Basic and Concentration Grants follows the policy set forth in P.L. 100-297.

Under the Reagan request, nearly 14,000 school districts, 90 percent of the districts in the United States, would continue receiving Chapter 1 funds in school year 1990-91. School districts would likely serve between 4.9 and and 5.1 million children with Basic Grant and Concentration Grant funds. However, this range is strictly an estimate because local school districts, not the Federal Government, determine the actual number served in any year. Program data attest to the large variation in the ways States and localities choose to use their Federal funds. In the 1986-87 school year, which is the latest year for which actual participation data are available, the program served 4.7 million children and the average Federal contribution per child ranged from $368 to $1,058, depending on the State.

Capital Expenses for Private School Children

For Capital Expenses for Private School Children, the Reagan budget includes $19.8 million, the same as last year's appropriation. These funds help school districts pay for the additional capital costs, incurred since July 1, 1985, of providing Chapter 1 services to private school students as a result of the Felton decision. Because of this Supreme Court decision, school districts have had to divert existing Chapter 1 funds used for instruction to pay for the cost of noninstructional items, such as the purchase or rent of mobile vans and transportation of children to neutral sites.

Even Start

The Reagan budget proposes to fund the Even Start program at the 1989 level of $14.8 million. This program helps parents become full partners in the education of their children and assists children to reach their full potential as learners by integrating early childhood education and adult education for parents into a unified program. This request would provide enough to continue projects begun during the 1989-90 school year and to begin some new projects in school year 1990-91.

State Agency Programs

For the Chapter 1 Migrant program, the Reagan request is $280.9 million, an increase of $9.2 million over the 1989 level. Of this amount, about $8.5 million would support migrant coordination activities, including the Migrant Student Record Transfer System, and the remainder would support compensatory education activities provided by the State. In 1986-87, the latest year for which participation data are available, 343,269 children received services in the Migrant program.

The Reagan budget includes $148.2 million in 1990 for the Chapter 1 Handicapped program, the same as the 1989 appropriation. In 1988-89, 261,500 children were counted and served by the program.

For the Neglected and Delinquent program, the Reagan budget requests $34.8 million, a $3.2 million increase over the 1989 appropriation level. The increased funding would enable States to serve the additional children made eligible by P.L. 100-267 and to implement transition services. In 1986-87, the latest year for which data are available, States provided services to almost 56,200 students.

State Administration

To permit States to fulfill the various administrative requirements of Chapter 1, the Reagan budget includes $40.5 million for State Administration in 1990. This is the same as the 1989 appropriation level and would enable States to continue carrying out their administrative and technical assistance activities as required by P.L. 100-297.

State Program Improvement Grants

For State Program Improvement Grants, the Reagan budget requests almost $7.6 million, a $1.9 million increase over the 1989 appropriation. This increase would help school districts carry out program improvement activities in schools that are operating ineffective programs.

Evaluation and Technical Assistance

The Reagan budget requests $12 million for Evaluation and Technical Assistance, a $4.1 million increase over the 1989 appropriation level. The increase would provide for an expansion in the services provided by the Technical Assistance Centers and support the second-year costs of the mandated longitudinal study of Chapter 1 participants. Funding for this activity would be available only in the year for which it is appropriated.

Rural Technical Assistance Centers

The Reagan budget requests no funds for Rural Technical Assistance Centers in 1990. The services authorized under this program are already provided under Chapter 1 Evaluation and Technical Assistance. The Reagan request of $12 million for Evaluation and Technical Assistance would provide substantial resources for technical assistance to help rural and other schools address the problems of providing services to the educationally disadvantaged.

Presidential Merit Schools

President Bush proposes to increase the amount requested by President Reagan for this account by $250 million to establish the Presidential Merit Schools program. Funds for this initiative would reward schools that make substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the dropout rate. These funds may be used for any purpose that furthers the school's educational program.

Legislation authorizing this activity was submitted to Congress on April 5. The first awards would be available for school year 1990-91.

HEP and CAMP

The Reagan budget requests $8.9 million for the High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP) -- the same as the 1989 appropriation. This request would enable the Department to support project continuations for the current cycle of grants.

My colleagues and I will be happy to respond to any questions you may have.

Impact Aid

I appreciate this opportunity to appear before you to discuss the 1990 Reagan budget request of $629.3 million for Impact Aid program activities under Public Law 81-874 and Public Law 81-815. This request would maintain the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenue from local sources have been adversely affected by Federal activities.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes a freeze at the 1989 outlay total for a group of mostly discretionary grant programs, including the Impact Aid program. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

The Reagan budget includes $593.7 million for Maintenance and Operations activities under Sections 2 and 3, $10 million for Disaster Assistance, and $25.6 million for Construction projects. The 1990 request is $103.8 million less than the 1989 appropriated level. This decrease reflects the decision to propose the elimination of payments for "b" children, who reside or whose parents work on Federal property. The presence of these children creates no significant financial burden for local school districts. Federal aid would be focused on those school districts that are the most heavily burdened by the effects of Federal activities. Payments would be made only on behalf of the "a" students, who live on and whose parents work on Federal property, or who live on Indian lands, and thus do not generate local property tax revenues.

Maintenance and Operations

Of the $593.7 million requested for Maintenance and Operations, the Reagan budget includes $578.3 million for Section 3(a), an increase of $20.1 million over the 1989 appropriated amount. These funds would be used for making payments

for children who reside on and whose parents work on Federal property, are on active duty in the uniformed services, or reside on Indian lands.

In the Reagan request, the proposed formula for payments under Section 3(a) is based on the payment system in the Hawkins-Stafford Amendments. The Hawkins-Stafford formula maintains the three types of "a" districts that have been established in appropriation laws since fiscal year 1987. The formula would continue to provide higher rates of payment for districts with higher proportions of federally connected children. The Amendments also provide for a "hold-harmless" payment for Section 3(a) districts that is equal to the product of the 3(a) per-pupil amount paid in fiscal year 1987 and the average daily attendance of 3(a) pupils in the current year. Also, the Amendments provide that payments on behalf of children who reside in certain federally subsidized, low-rent housing be made at the same rate as payments for other federally connected children in a school district.

The Reagan budget would earmark $10 million of Section 3 funds for increased payments to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children, that do not have sufficient funds to provide a level of education equivalent to comparable districts in their States, and that meet additional criteria in the program statute. Section 3(b) children would not be counted for eligibility or payments under Section 3(d)(2)(B) in 1990. The level of funds earmarked for 1990 payments under this provision is an amount that should be sufficient to meet all claims for payments for "a" children in these districts.

Also, the Reagan budget would restore a provision requiring a $5,000 minimum payment under Section 3. This minimum, which was in effect in fiscal years 1982-84, eliminates small payments to districts with very few federally connected children. Through the minimum payment requirement, funds are reserved for those districts experiencing actual financial burdens due to Federal activities.

The $15.4 million included in the Reagan budget for Section 2, which is $534,000 more than the enacted 1989 appropriation, would be sufficient for payments at close to full entitlement in 1990, given changes made by new regulations and the Hawkins-Stafford Amendments that affect eligibility and payment amounts. The changes in the implementation of Section 2 contained in these regulations reflect, among other things, changes in State school finance practices in recent years. Under this request, Section 2 payments would be made to about 260 districts whose partial loss of tax base due to the acquisition of property by the United States Government has resulted in a continuing financial burden.

Disaster Assistance

For fiscal year 1990, the Reagan budget includes $10 million for Disaster Assistance. This is expected to be sufficient to fund applications submitted in 1990 and projects continuing from prior years. Because the level of funds required for disaster assistance fluctuates greatly from year to year, the Reagan budget includes language to make the funds remain available until expended. This

provision, first implemented by the 1984 supplemental appropriations act, increases the Department's flexibility to meet the varying levels of demand for disaster assistance.

Construction

The Reagan budget requests $25.6 million for awards under Sections 5, 10, and 14, $890,000 more than the 1989 appropriation for construction activities.

Sections 14(a) and 14(b) authorize construction grants to school districts that are comprised mainly of Indian lands or that serve children residing on Indian lands. These districts appear to have the greatest need for new or additional facilities and the least funds available from other sources. Therefore, the Reagan budget includes $12.7 million, the largest share of the total, for projects under Section 14(a) and (b), $890,000 more than the 1989 appropriation. Section 5 authorizes assistance for school construction in areas experiencing an increase in Federal activity, and Section 14(c) authorizes construction assistance to school districts that are comprised mainly of Federal lands and that have a substantial number of inadequately housed pupils. Grants under these sections are generally for only a small proportion of the total cost of the projects. The amount of $3 million is requested for these sections, the same as the 1989 level.

For Section 10, which authorizes the repair and construction of facilities to serve children residing on Federal property, funds have been made available through the Department of Defense as well as the Department of Education since 1984. The 1990 Reagan budget includes $9.9 million for Section 10, which is the same as the 1989 enacted appropriation. In addition to making emergency repairs to buildings owned by the Department of Education, these funds would be used in conjunction with the Department of Defense to continue implementation of the recommendations in the Departments' recent joint report to the Congress on school facilities on military installations.

My colleagues and I will be happy to respond to any questions you may have.

School Improvement Programs

I appreciate this opportunity to appear before you to present the fiscal year 1990 budget request for the School Improvement Programs account.

Secretary Cavazos has often pointed out that our country faces a deficit in education that is just as alarming as the deficits in budget and trade. Programs in this account make an important Federal contribution to reducing this deficit.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs,

including most of the programs in this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and the Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

I would like to begin by outlining the initiatives that President Bush is proposing for this account.

Drug-Free Schools and Communities

The prevalence of drug use in many of our communities constitutes a serious impediment to learning among young people and is a major cause of violence in our Nation's schools. President Bush requests $367 million for ongoing activities in the Drug-Free Schools and Communities program, a $12 million increase over 1989 and the same as President Reagan's proposal. Funds from these programs are used to: provide grants to States for drug prevention education in schools and communities and to institutions of higher education for programs on campus; train teachers in the implementation of drug prevention education techniques; and fund a variety of other activities to help young people understand why they must reject drugs.

While the scourge of drug use can be found in neighborhoods throughout the country, the problem is particularly acute in many of our urban areas. To further assist in efforts to alleviate this critical problem, President Bush is proposing $25 million for a new initiative under the Drug-Free Schools and Communities program: Urban Emergency Grants. Through this program, the Department would award one-time grants to a limited number of the most seriously affected urban school systems to develop and implement comprehensive approaches to achieving a solution to their drug problems. School systems in which a high proportion of students live in poverty would be given priority.

Alternative Certification for Teachers and Principals

The President is proposing $25 million and has submitted legislation for a new program to encourage alternative certification for teachers and principals. Under this program, the Department would award one-time grants to States to design, develop, or implement creative and flexible alternative certification systems. The general purpose would be to make the best qualified persons available as teachers and principals in the Nation's Schools. In particular, it would allow qualified scientists, engineers, other subject matter specialists, and experienced managers to bring their talents to schools through alternatives to existing certification requirements. States would be authorized to spend the money over two years, if needed, and could use the funds for whatever purpose necessary, including design and testing of different options tailored to their circumstances, establishing administrative structures, training staff, developing recruitment strategies, and evaluating new systems.

President's Awards for Excellence in Education

President Bush believes that improvement in the schools depends

most heavily on teachers, and that excellent teachers deserve tangible recognition on a national level. In support of this principle, the President is proposing $7.6 million and has submitted legislation for a program of presidential awards for excellent teachers. Under this program -- President's Awards for Excellence in Education -- $5,000 awards would be given to teachers in every State who meet the highest standards of excellence. Annual competitions would be held in each State under which all elementary and secondary public and private school teachers of any academic or vocational subject could compete. The number of teachers receiving awards in each State would vary with the size of the State.

Magnet Schools of Excellence

Magnet schools -- schools with a special curriculum emphasis or other set of characteristics -- offer parents an educational choice for their children. The Department currently supports magnet schools as an aid to desegregation. This approach should be applied to achieve other worthy goals as well. Because magnet schools increase choice, expand opportunities for children, and ultimately improve the quality of all the schools in a district, the President is proposing $100 million and has submitted legislation for a new program of Magnet Schools of Excellence. Under this program, the Department would award funds on a competitive basis to school districts for magnet schools for other than desegregation purposes. Magnet school grants would be available for schools offering students any aspect of the full spectrum of curriculum options. Applicants would be encouraged to submit applications for magnet schools that recognize the potential of educationally disadvantaged children to benefit from magnet schools and enhance the diversity of educational offerings to students. Funds would be available for no more than two years to a given school.

Education for Homeless Children and Youth

President Bush is committed to addressing forcefully the tragedy of homelessness through public and private action, and his budget proposal for 1990 fulfills his pledge of full funding for the Stewart B. McKinney Homeless Assistance Act. The Department of Education administers several small but important portions of this law. One is a literacy program for homeless adults, proposed for funding at $10 million, about which you will hear more from the Assistant Secretary for Vocational and Adult Education. For the Office of Elementary and Secondary Education, the President is requesting $5 million, a 3.4 percent increase over 1989, to continue the State grant program for the Education of Homeless Children and Youth. Under this program, State educational agencies receive assistance in carrying out their responsibility for ensuring that homeless children receive a free, public education despite residency requirements or other factors associated with their homelessness. President Bush is also requesting $2.5 million for another McKinney Act program that has never been funded -- the Exemplary Grants section of the Education for Homeless Children and Youth program. These funds would be used for grants to State and local educational agencies to support and disseminate information on exemplary programs that successfully address the needs of homeless elementary and secondary students.

Reagan Budget

I would like to turn briefly now to programs that are in the budget submitted by President Reagan.

President Reagan's budget includes $1.2 billion for the School Improvement Programs account, a decrease of about 1.3 percent from the 1989 level. Many of the programs in this account provide an important source of support to help State and local educational agencies improve the quality of education offered to all students.

Chapter 2 -- Educational Improvement Partnerships

The Chapter 2 State block grant program serves as a catalyst for educational reform by providing States and school districts with funds that are largely free of administrative constraints and that may be used for educational improvement activities in accordance with State and local needs. At the national level, Chapter 2 supports five programs with a variety of purposes -- the National Diffusion Network, Inexpensive Book Distribution, Arts in Education, Law-Related Education, and Blue Ribbon Schools. For Chapter 2 programs, President Reagan's budget includes $507 million -- an increase of $16.5 million or 3.4 percent over the 1989 level. Of this request, $1.5 million is for a congressionally mandated study of the implementation of "effective schools" programs under the block grant.

Strengthening Teaching and Administration

Efforts at school improvement and reform can never be successful without the support and involvement of teachers and administrators. President Reagan's budget includes $155.3 million -- an increase of $3.9 million -- for five programs that help strengthen the professions of teaching and school administration. These programs include the recently reauthorized Dwight D. Eisenhower Mathematics and Science Education program, which supports formula grants to States and national discretionary grants to a variety of recipients to upgrade the level of instruction in mathematics and science; the Fund for the Improvement and Reform of Schools and Teaching, which will soon award its first grants for demonstrations of strategies for improving the performance of students and teachers and activities to increase involvement of families in the schools their children attend; the Territorial Teacher Training program, which provides training for teachers in the Outlying Areas; the Leadership in Educational Administration program, which is proposed at a reduced level sufficient to fund only continuations, in accordance with a statutory phase-down schedule; and Christa McAuliffe Fellowships, which enable outstanding teachers to further their education or pursue other special projects.

Desegregation Assistance

The Reagan budget includes $138 million for two programs that assist school districts that are desegregating. For Training and Advisory Services, a program authorized by Title IV of the Civil Rights Act, the budget includes $23.4 million to continue technical assistance services that are provided to school districts by State educational agencies and regional centers. For Magnet Schools Assistance, a program that helps to increase parental choice and

educational quality while also serving as an effective desegregation tool, President Reagan's budget includes $114.6 million, $1 million of which would be used for a national evaluation study of magnet schools programs. The remainder would be used for non-competitive, continuation awards to the school districts that compete successfully for two-year awards from the 1989 appropriation.

Other School Improvement Programs

President Reagan's budget includes $28.5 million for three additional programs that help promote improved educational quality in areas of special need.

For the largest of these programs, the Fund for Innovation in Education, $15.7 million is included to continue efforts begun in 1989 in such areas as technology education, computer-based instruction, health education, and early childhood education.

For the new Jacob K. Javits Gifted and Talented Students Education program, $7.9 million is included to continue research and development, demonstration, and personnel training programs scheduled to begin this fall.

Finally, President Reagan's budget includes $4.9 million, a 3.4 percent increase, for General Assistance to the Virgin Islands. These funds will provide the Virgin Islands with additional resources to address special problems related to an especially high level of educational need among students, classroom overcrowding, school buildings that are in need of repair, and inadequate library resources.

No funds are requested for the six remaining programs in the account. The authority for one of the programs, Dropout Prevention Demonstration, expires at the end of 1989. Congress authorized the program as a short-term demonstration program. The other five programs proposed for termination are Women's Educational Equity, Ellender Fellowships, Follow Through, Star Schools, and Education for Native Hawaiians. These programs have fulfilled the objectives for which they were established or are duplicative of other programs. Their termination would allow resources to be redirected to higher priority activities.

My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF ALICIA CORO

I am pleased to appear before the Committee today to testify on the fiscal year 1990 budget for Bilingual, Immigrant, and Refugee Education.

The budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including the programs in this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals.

For Bilingual, Immigrant, and Refugee Education, the Reagan budget request is $204.1 million, $6.7 million more than the fiscal year 1989 appropriation.

Bilingual Education

For Bilingual Education, $157.1 million is requested, an increase of $5.2 million over the 1989 level. Part A programs would continue to be the primary emphasis within Bilingual Education since they provide direct services to at-risk students. Therefore, all but $131,000 of the increase is requested for Part A.

Bilingual Programs

For Part A, Bilingual Programs, $115.8 million is requested. This is an increase of $5 million, or 4.5 percent, over the 1989 level. The increase would fund some 72 additional school district projects serving an estimated 10,000 more limited English proficient students.

The Hawkins-Stafford Elementary and Secondary School Improvement Amendments of 1988 provided a significant increase in the flexibility of local educational agencies (LEAs) to select the most appropriate instructional method. The Department began implementing this new flexibility in the 1989 awards process. In 1990, most Part A funds would be allocated to transitional bilingual education and special alternative instructional programs, the two activities that are most directly focused on teaching English to limited English proficient children. Furthermore, the Department intends to continue its 1989 policy of making, to the maximum extent possible under the law, new awards for these two activities on the basis of quality rather than instructional approach.

Bilingual Support Services

Under Part B, Bilingual Support Services, $10.9 million is requested, $131,000 more than the 1989 appropriation. The additional funding would cover a small increase in the level of activity of the two evaluation assistance center contracts. Other

Part B activities would continue at 1989 appropriation levels. These activities include State educational agency grants for data collection and for a variety of technical assistance activities, and contracts for research and evaluation studies and a clearinghouse.

Bilingual Training Grants

Under Part C, Bilingual Training Grants, $30.4 million is requested, the same as the 1989 appropriation. Enactment of the request would require the Congress to override, again, the 25 percent set-aside for Part C. Over the life of the program, the Department has invested almost $460 million in training activities and has assisted in building the capacity of some 250 institutions of higher education to operate teacher training programs. The request level would be sufficient to meet the need for training activities. These funds could be better used in Part A, providing services to students. Part C grants support educational personnel training, fellowships, training development and improvement programs, and short-term training institutes. Contracts are also awarded for regional Multifunctional Resource Centers.

Immigrant Education

Under the Immigrant Education program, $30.6 million is requested, $1 million more than the 1989 appropriation. The Department has transmitted a legislative proposal for Immigrant Education that would prohibit the double-counting of refugee students under both the Immigrant Education and Refugee Education programs. The legislation would also require that grants be used only to provide supplementary education programs for these students. The new legislation and the budget increase should raise the average per pupil amount in this program from $69 to $83, an increase of 20 percent.

Refugee Education

For Refugee Education, $16.3 million is requested, $537,000 more than the 1989 appropriation level. The increase in funding would raise the average per pupil expenditure from $226 to an estimated $233, an increase of about 3.1 percent. The Department recently published new program regulations for Refugee Education that limit grants to LEAs enrolling 20 or more eligible students and clarify that grants must be used for supplementary educational services.

I believe that the Bilingual Education legislation enacted last year will produce a significant increase in program effectiveness. I am also confident that the legislative proposal for Immigrant Education and the new regulations for Refugee Education will have similar positive effects.

My colleagues and I would be happy to respond to any questions you have regarding the 1990 Reagan budget request for the Bilingual, Refugee, and Immigrant Education programs.

STATEMENT OF PATRICIA McGILL SMITH

Education for the Handicapped

I am pleased to appear before this committee to testify on the fiscal year 1990 budget for Education for the Handicapped. The budget reflects the Department's continuing priority on the education of children with handicaps.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

The fiscal year 1990 budget of over $2 billion includes about $1.8 billion for the three State Grants programs. The budget would provide additional funding to assist States in educating the handicapped children for whom they are responsible under the Education for the Handicapped Act and in developing their statewide programs of early intervention services for handicapped infants and toddlers and their families. The budget also includes $169 million for the Special Purpose Funds that support a wide variety of Federal grant and contract activities directed at improving the quality of early intervention and educational services for handicapped children.

The fiscal year 1990 budget for the State Grants programs increases funding for the Grants to States and Grants for Infants and Families programs, and maintains Preschool Grants at the 1989 appropriation level. The budget maintains funding for all Special Purpose Funds programs at the 1989 appropriation level.

State Grants

The budget for the State Grants programs is $1.84 billion, an increase of about$52.5 million over the 1989 appropriation of $1.79 billion.

Grants to States

The budget for the Grants to States program is $1.5 billion. This budget will assist States in serving approximately 4.3 million handicapped children. The budget provides an increase of $50.2 million over the 1989 appropriation to assist States in expanding services to an estimated 47,000 additional children and to help cover increases in costs. The budget would provide a Federal share of $351 for each child served, an increase of $7 over the 1989 level. It would maintain the Federal share of the excess cost of educating handicapped children at about 7 percent.

Preschool Grants

The budget for the Preschool Grants program is $247 million, the same as the 1989 appropriation. The budget increases the Federal share for each 3 through 5 year old child served from $500 to $600 for an anticipated 351,000 children. This represents an increase of 25,000 children over the number expected to be served for fiscal year 1989.

Of the budget amount, $36.4 million would be reserved to cover upward adjustments to 1989 State allocations resulting from the difference between the increases in the number of children States estimated they would be serving in the 1989-90 school year and the number reported as served on December 1, 1989. There are no funds in the budget for bonus payments since these payments are not authorized for fiscal year 1990.

Grants for Infants and Families

The budget for the Grants for Infants and Families program is $72.2 million, an increase of about $2.4 million over the 1989 appropriation. The increase will assist States in meeting increases in costs as they continue to develop their statewide programs of early intervention services for handicapped infants and toddlers and their families.

Special Purpose Funds

The budget for Special Purpose Funds is $169 million, the same as the 1989 appropriation. The budget maintains each of the Special Purpose programs at the 1989 appropriation level.

Deaf-Blind and Other Severely Handicapped Projects

Deaf-Blind and Other Severely Handicapped Projects is a new activity formed by combining the Deaf-Blind Projects and Severely Handicapped Projects budget activities. The budget for this new activity is $19.5 million, the same as the combined appropriation for the separate activities in 1989. The budget is based on existing legislation. However, it will also be reflected in a legislative proposal which we will submit that merges the Education of the Handicapped Act authorizations for these two activities.

We believe that separate budget activities are no longer in the best interest of either deaf-blind children or other children with severe handicaps. Combining the budget activities for these programs will encourage improved services for both deaf-blind and other children with severe handicaps. About $15.3 million of the budget will provide continued support for State and multi-State deaf-blind projects, technical assistance and demonstration projects, including projects in the areas of extended school year education, interventions in regular classrooms, inservice training, systems change, and validation and utilization of exemplary practices. Another $4.2 million will be used for new demonstration projects in these and other priority areas.

Early Childhood Education

The budget for the Early Childhood Education program is $23.1

million, the same as the 1989 appropriation. This funding level will provide support for all continuation projects, including outreach projects, four institutes, projects providing inservice training and technical assistance, and projects conducting research on various program features and school practices. In addition, it will provide over $10.2 million for new projects.

Secondary and Transitional Services

The budget for Secondary and Transitional Services is $7.3 million, the same as the 1989 appropriation. The budget will allow us to continue our efforts to improve services for and the skills of handicapped youth to help them prepare for adult life and services. Funds will support the continuation of projects dealing with supported employment, follow-up services, and family networking. In addition, $2.8 million will be available for new projects in these and other priority areas.

Postsecondary Programs

The budget for Postsecondary Programs is $5.8 million, the same as the 1989 appropriation. Of this amount, $2.1 million will be used to continue awards to four institutions serving deaf students and $2.2 million will support continuing demonstration projects. About $1.4 million will support new projects aimed at improving programs for postsecondary-aged handicapped students.

Innovation and Development

The budget for the Innovation and Development program is $17.0 million, the same as the 1989 appropriation. Funding priorities will include continued support for two institutes dealing with severely handicapped children and policy development, and projects dealing with the synthesis of research findings, developing and improving intervention strategies for seriously emotionally disturbed children and youth, implementing research findings, developing comprehensive service models for schools, home and school personal development strategies, and general education teacher planning and curricula. In addition, $5.8 million will be used to support new projects.

Media and Captioning Services

The budget for Media and Captioning Services is $13.4 million, the same as the 1989 appropriation. Funds will be used to maintain support at the current level for captioning and related activities, as well as to provide continued support for the Theater of the Deaf and Recording for the Blind.

Special Education Technology

The budget for Special Education Technology is $4.7 million, the same as the 1989 appropriation. These funds will provide continued support for technology centers and projects dealing with technology assessment and the integration of technology into instructional programs. In addition, $2.6 million will be used to support new projects in these and other areas.

Special Studies

The budget for the Special Studies program is $3.6 million, the same as the 1989 appropriation. We will continue technical support for the annual report, fourth-year funding for the longitudinal study of children leaving special education, and support for five evaluation studies to be undertaken by cooperative agreements with the States. In addition, about $700 thousand will be used to support two new contracts, one for the collection of information on anticipated services based on the findings of two studies funded in 1988, and another for the development of a study to measure student outcomes.

Special Education Personnel Development

The budget for the Special Education Personnel Development program is $67.1 million, the same as the 1989 appropriation. This funding level will maintain support for continuation projects for all current program priorities and will provide an additional $24.4 million to fund almost 300 grants in new priority areas or new grants in existing areas.

Recruitment and Information Clearinghouses

The budget for Recruitment and Information Clearinghouses is $1.1 million, the same as the 1989 appropriation. This funding level will provide support for the three national clearinghouses required under the Education of the Handicapped Act that disseminate information concerning programs related to the education of individuals with handicaps, promote careers in special education, and disseminate information on postsecondary programs and services for individuals with handicaps.

Regional Resource Centers

Finally, the budget for the Regional Resource Centers program is $6.3 million, the same as the 1989 appropriation. The budget will support the six regional centers and national coordinating technical assistance center that provide technical assistance to States for capacity building, educational programming, and special education administration.

Thank you, Mr. Chairman and Members. I will be pleased to answer any questions you may have.

Rehabilitation Services and Handicapped Research

I appreciate this opportunity to appear before you to present the fiscal year 1990 budget for the Rehabilitation Services and Handicapped Research account.

The 1990 budget for Rehabilitation Services and Handicapped Research now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs,

including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

President Reagan's budget maintains a priority on programs that provide vocational opportunities for handicapped persons. The budget includes a total of $1.7 billion for this account, an increase of $64 million over the 1989 appropriated level. The Vocational Rehabilitation State Grants, Grants for Indians, Supported Employment, Client Assistance, Comprehensive Services for Independent Living, Technology Assistance and Evaluation programs would receive increases in 1990 over the 1989 appropriated level. No funding is requested for Model Transition Grants or Recreational Programs. All other programs are maintained at the 1989 appropriation level.

Basic State Grants

The Reagan budget includes $1.5 billion for Basic State Grants, an increase of $60.5 million over the fiscal year 1989 appropriation of $1.4 billion. The 1990 level would enable States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to severely disabled individuals. In addition, the increase satisfies the statutory requirement to increase program funding by at least the percentage change in the Consumer Price Index for Urban Consumers for the 12-month period completed in October 1988. Approximately the same number of disabled persons are expected to be served and rehabilitated in fiscal year 1990 as in fiscal year 1989.

The Indian program is funded from a set-aside from the Basic State Grant program. The Reagan budget includes an increase of $151,000 over the fiscal year 1989 appropriated level, for a total of $3.76 million. This level would allow for the continuation of 15 projects initiated in 1989 and prior years.

Supported Employment Program

The Reagan budget includes $27.9 million for the Supported Employment formula grant program, an increase of $968,000 over the fiscal year 1989 appropriated level. These additional funds reflect a high priority on State-operated programs that provide opportunities to severely disabled persons.

Client Assistance Program

The 1990 budget includes $7.95 million for the Client Assistance Program, an increase of $277,000 over the fiscal year 1989 appropriation. These funds should enable agencies to continue to provide the full range of services specified by the law. The minimum allotment will be $75,000 for States and $45,000 for Territories. These amounts are equal to the new statutory minimums established by the 1986 Amendments to the Rehabilitation Act.

Service and Demonstration Projects

The budget includes $17.0 million for Special Demonstration

programs and $9.4 million for Supported Employment Projects, the same as the 1989 apporpriation. Projects with Industry and Migratory Worker Projects are also proposed at the fiscal year 1989 appropriations levels of $17.1 million and $1.1 million respectively. No funds are requested for Model Transition Grants or Recreational programs in 1990. Transition activities can be more effectively carried out under the Secondary and Transitional Services program authorized under the Education of the Handicapped Act and would not be restricted to particular geographic regions. Recreation is an activity more appropriately funded by private charities, local organizations, and other non-Federal sources.

Helen Keller National Center

A total of $4.8 million is included for the Helen Keller National Center. The funding level requested is the same as the fiscal year 1989 appropriation. This level will provide funding for operations of Helen Keller's headquarters facility and 10 regional offices.

Independent Living Programs

The fiscal year 1990 budget for Independent Living programs would continue funding for Centers for Independent Living at $25.7 million and Independent Living Services for Older Blind Indviduals at $5.6 million, the same levels included in the fiscal year 1989 appropriation. To emphasize the importance of statewide services and statewide coordination of services, the budget includes nearly $13 million, an increase of $451,000, for the Comprehensive Services for Independent Living Program. Although the Department recognizes that the independent living programs are overlapping and duplicative in many ways, the Reagan budget continues to place priority on these programs which increase the independent living skills of persons who are severely disabled.

Training

The budget includes $30.1 million for Training, the same as the fiscal year 1989 appropriation. Funds will be used to cover continuation costs and new projects in most long-term training categories, and to continue support for experimental and innovative training, regional continuing education, State inservice, and interpreters for the deaf programs. Approximately one-fourth of the funds would be available for new awards. Funds would be directed toward manpower needs identified in the 1989 update of the Department's National Assessment of Personnel Shortages and Training Needs in Vocational Rehabilitation.

National Institute on Disability and Rehabilitation Research

The budget includes $52.9 million for the National Institute on Disability and Rehabilitation Research, the same as the 1989 appropriation. The budget will provide support for continuation activities and support for 65 new awards.

Technology Assistance

The budget includes $10.7 million for the Technology Assistance program, an increase of $5.5 million over the 1989 appropriation. The Department recognizes the major contribution that assistive

devices and services can make to substantially improving the quality of life, enlarging opportunities for education and employment, and reducing communication barriers for disabled persons of all ages. This increase reflects the priority the Department has placed on the development and implementation of comprehensive statewide programs of technology assistance. The budget will provide for continuation of the eight States grants to be awarded in 1989 and funds for eight new State grants. In addition, it will provide $500,000 for technical assistance to States.

Evaluation

The 1990 budget includes $1 million for Evaluation, an increase of $12,000 over the 1989 appropriation level. About one-half of that funding will be used to begin work on a large-scale longitudinal study of a national sample of vocational rehabilitation program clients, with the rest used to continue two other critical studies and activities.

My colleagues and I will be pleased to respond to any question you may have.

STATEMENT OF BONNIE GUITON

It is a pleasure to appear before you today to discuss the 1990 Reagan budget request for vocational and adult education. When combined with State, local, and private efforts to prepare a skilled and literate work force, these programs can contribute significantly to our country's economic growth and industrial competitiveness.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget.

I am pleased to submit to you today the Reagan budget request for vocational and adult education which totals slightly over $1.1 billion. This represents an increase of approximately $38.8 million over the 1989 appropriation.

Vocational Education

The Reagan budget request includes $942.2 million for vocational education programs, an increase of $31.0 million over the 1989 appropriation. Funds requested in the Reagan budget would be used to support vocational education under the Department's proposed reauthorization legislation for the Perkins Act, which will be submitted to Congress for consideration in the near future. Among the major concerns that proposal will address are increasing

accountability in vocational education, substantially reducing the complexities of existing law, maintaining emphasis on equity and program improvement, and increasing educational choice. Based on knowledge gained during four years of experience under the current act, we anticipate that this reauthorization will both strengthen and improve vocational education programs. The Administration's funding request for individual vocational education activities will be specified when the reauthorization proposal is transmitted to the Congress.

Adult Education

For adult education, President Reagan requested a total of $170.0 million. Included in this request is a total of $160.7 million for adult education State programs, a $24.3 million increase over the 1989 appropriation. This increase in funding would allow States to pursue more extensive literacy projects through the flexible and comprehensive authority of the Adult Education Act's State programs. The Adult Education Act requires each State to use at least 80 percent of its Federal grant for adult basic education, including literacy and basic skills training and English as a second language training for adults of limited English proficiency. The Act, as recently reauthorized, also specifies an increased matching requirement for States, which would ensure that the increase in Federal funding results in even greater State and local support for adult education.

With funding at the Reagan request level, we expect that many more adults would be served under adult education State programs. Further, with the anticipated growth in State, local, and private support, which currently accounts for approximately three-fourths of all adult education spending, as well as volunteer support in cooperation with the President's Adult Literacy Initiative, the number of individuals served would continue to increase.

The Reagan budget request calls for the termination of categorical funding for two programs, workplace literacy partnerships and English literacy grants. Both of these programs duplicate activities authorized under the adult education State programs. While categorical funding is not being requested for these two programs, States may continue these activities with their State programs grants.

The Reagan budget also requests $2 million, approximately the same level as the fiscal year 1989 appropriation, for national programs under Part D of the Adult Education Act. These funds would be earmarked for activities related to State program analysis and policy studies, and would be used for the continuation of evaluation activities begun in 1988 and 1989. Among other activities, the request for fiscal year 1990 would provide funding for a major longitudinal study of adult education and participant outcomes, which would provide nationally representative data describing adult education programs. Work on the national assessment of adult literacy, which began in 1988, would also continue, but would be fully funded from appropriations made in the Education Research and Statistics account. These studies are expected to generate significant new information on the extent and nature of illiteracy

and the most effective techniques for reaching the adult illiterate population.

The Reagan budget requests $7.3 million for literacy training for homeless adults, which is authorized by the Stewart B. McKinney Homeless Assistance Act. In his February 9 proposal, President Bush requested an additional $2.7 million for this program. This request will provide full funding for this program, and represents a 41 percent increase over the 1989 appropriation. These funds would be used to continue programs begun in 1988 and 1989 designed to assist States in developing and implementing programs of literacy training and basic skills remediation for homeless adults. We feel this program is important in that it serves an exceptionally disadvantaged population and helps draw State and local attention and resources to the problems of the homeless.

At this time, Mr. Chairman, my colleagues and I will be glad to respond to any questions you may have about vocational and adult education.

PRESIDENTIAL MERIT SCHOOLS PROGRAM

Senator HARKIN. Thank you, Mr. Kolb.

I want to talk a little bit about the sum of these new proposals, the $441 million. You have got $250 million for your new Presidential Merits Schools program. Just to repeat what you said in your statement, this program rewards schools that make substantial progress in raising students' educational performance, creating a safe and drug-free school environment, and reduce the drop-out rate. The funds may be used for any purpose that furthers the school's educational program. That is almost half the money.

Maybe I do not understand this program. Why do you want to send all these new resources to schools that have achieved success, rather than using the funds to help troubled schools become more successful?

PRESIDENT BUSH'S EDUCATION PROPOSALS

Mr. KOLB. I agree with exactly what you said. That is how the program is established. Let me back up and just tell you that the Department has worked very closely with the White House in developing these proposals, which the President intends to transmit to Congress tomorrow morning.

Many of these proposals are not new. The President has been talking about them during his campaign, the last couple of years. What you see in this legislative package in the budget proposals are those ideas coming to life.

The President is a believer in educational reform in this country, educational perestroika, if you want to call it that. And if you look at these programs, there is a common theme among all of them. What he wants to do is change the way business is done in the country.

He does not want to, in this sense, reward the schools that have made it. He wants to create a system of incentives, so that schools will change their behavior, and do something about dropouts, do

something about drugs in the classroom, violence in the corridors. And also to structure a program so that the States can also look at outcome data, to see whether they are, in fact, improving.

We had a discussion this morning, and I used an analogy in connection with defaults, whether schools can be held responsible for their students who default. And that point I think is very valid here.

We want to hold teachers and schools accountable for the performance of their students, and we think a system of incentives that will do that, is headed in the right direction.

Many of these seven legislative proposals, and most of the 10 budgetary proposals, have as a common theme a focus on some of the State-level reforms that are going on out there now. Some of this money is seed money to encourage experiments like alternative certification, trying to get additional teachers and principals into the classroom.

This is not a package of proposals that rewards those people who have already made it. Quite the contrary. They show that the President is very serious about the reform movement. I think these initiatives reflect that concern.

Senator HARKIN. So you say tomorrow he is going to send down a clarification of this program?

Mr. KOLB. No; the legislation will be transmitted to the Congress tomorrow.

Senator HARKIN. Legislation?

Mr. KOLB. Yes. The budget amendments went up, I believe on March 10 or 11.

PRESIDENTIAL MERIT SCHOOLS PROPOSAL

Senator HARKIN. I guess I am concerned about how you are going to define substantial progress, safe and drug-free schools, reducing the dropout rate. I assume those definitions will all come about through regulations.

Mr. KOLB. Yes; and we will be working with the States. The States will have a role in this as well. We are not going to mandate everything from the Federal level. But, many States are doing this now. They are looking at improvement in their ACT or SAT scores, whether their students are graduating and going on to college, and that sort of thing.

We believe there are a number of outcome indicators that States are looking at right now. We want to build these factors into this program.

ALLOCATION OF PRESIDENTIAL MERIT SCHOOLS FUNDS

Senator HARKIN. Once they get this grant of money would it go through the States or would it go through the block grant to the States? How would this be administered?

Mr. KOLB. The funds would be allocated to the States under a formula based on each State's school-age population and its share of chapter 1 basic grant funds.

Senator HARKIN. So you are going to take this pot of $250 million and allocate to the States on the basis of their school-age population?

Mr. KOLB. That is partially correct.

Senator HARKIN. But there are some States where the dropout rate is higher than other States. There are some States where the drug-abuse problem is higher than other States.

This seems like you are going to base it on school-age population regardless of the problem.

SELECTION OF SCHOOLS TO RECEIVE PRESIDENTIAL MERIT SCHOOLS FUNDS

Mr. KOLB. That is a proxy for the allocation. The distribution of money within States is going to differ obviously from State to State.

What we have tried to devise, and you will see this spelled out in the legislation tomorrow, is a funding mechanism that will get the money to the States. And the schools will be selected by the States, through a panel that would include educators, parents, representatives of business——

Senator HARKIN. At the Federal level or the State level?

Mr. KOLB. At the State level.

Senator HARKIN. At the State level.

Mr. KOLB. The Secretary will establish general selection criteria that I mentioned, such as drug elimination and reducing dropouts. But we want the States to determine their own specific criteria, things like school size and some of the other performance indicators that I mentioned.

USE OF PRESIDENTIAL MERIT SCHOOLS FUNDS TO ENHANCE ACCOUNTABILITY

Senator HARKIN. The problem that I see looming here, is this idea that you are going to give money in the grant for any purpose that furthers the school educational program.

How would this policy enhance accountability in our educational system as you have advocated, I mean, if they just use it for any purpose?

Mr. KOLB. I think it would enhance accountability in a couple of ways, Mr. Chairman. You can approach education spending in this country in many ways. There is a tendency to spend a lot of time focusing only on the level of resources devoted to education.

What I think you see in many of these initiatives being supported by the President is a results-oriented approach. And to give you the figures, which you have probably heard many times now, we spend more of our resources on education in this country at all levels than just about any other country in the world.

We do spend more per student on education in this country than any other country in the world. I think the appropriate question to ask at this point in our history is not to focus on the level of resources spent on education, certainly they are important, but in my judgment, the more important question is the results that we are getting for the money that is being spent.

PRESIDENT BUSH'S EDUCATIONAL PRIORITIES

That is why, if you look at this package, the President has four themes that articulate his educational concerns. First, he wants to reward excellence and success to identify it, to reward it, and to replicate it.

Second, he wants to promote choice and flexibility.

Third, he wants to target money on the needy.

Fourth, and this is the point that I think has really been missed in some of the reporting on these initiatives, the fourth point is accountability.

Accountability does not cost money. There is no line-item here for accountability. But, in my judgment, it is an issue that permeates spending at all levels in this country.

Virtually every one of these 10 initiatives has a results-oriented goal. We currently recognize and will continue to recognize, through the Blue Ribbon Schools Program, those schools that have made it. We try to provide assistance through the chapter 1 program, for remedial education.

PRESIDENTIAL MERIT SCHOOLS

This program is intended to do something a little bit different, and that is to provide incentives for schools and States to look at outcomes, not just resources, but results.

SPECIFIC USES OF PRESIDENTIAL MERIT SCHOOLS FUNDS

Senator HARKIN. I applaud that. I think that is great. I am following you so far.

But, I still do not understand how you can say that if you meet these certain goals, and if you have this panel set up, and if you can reduce the dropout rate a certain amount, then you are going to get grant money for anything you want.

What if the school decided to use the money for expanding their gymnasium?

Mr. KOLB. I think they could do that.

Senator HARKIN. They can do anything they want with it, right?

Mr. KOLB. Yes.

Senator HARKIN. They could use it for field trips to send kids to foreign countries?

Mr. KOLB. They could use it for bonus payments to teachers and administrators.

The point here is that there will be accountability.

INCENTIVES FOR TEACHERS

Senator HARKIN. Maybe you have hit upon something. You are right about teachers and accountability for students, and I agree with that. I just think that one of the problems that we have is the fact that we do not—let us face it, we are a reward-based society, a remuneration-based society. Until we get the pay of teachers up to a point where they see it as a career and something that they can count on as a career, that enables them to feed and clothe their families and educate their own children, we are going to have problems.

So maybe this money ought to be used for some kind of incentive grants to their teachers.

QUALITY OF ELEMENTARY AND SECONDARY EDUCATION

Mr. KOLB. If I could add one other point. Most of these programs are programs that focus on the elementary and secondary education level.

I would like to share with you an anecdote that Tom Moore raised with me the other day, Tom Moore is on the Council of Economic Advisers in the White House. We were talking about education and reform in this country, and he raised a very good question. I certainly hope you, as the chairman of this subcommittee, will take this to heart. I think it is a tough one to answer.

He said, why is it that our postsecondary institutions are the marvel of the world? They are regarded as first-class institutions. Our colleges and our graduate schools are regarded all over the world as at the top, if not the very top of those types of institutions. Yet, that is not the case for our elementary and secondary schools.

The program, "Learning in America," the five-part PBS program which began a week ago, had a discussion with a Japanese family that was living in this country. They sent their children back to Japan for elementary and secondary education.

Senator HARKIN. I did not see the show. Did they say why?

Mr. KOLB. Well, I think there are the same concerns that we are talking about here, quality and outcomes. God knows we are spending money. We have to ask ourselves not only at the Federal level, but at the State and local levels as well, are we getting the results for the money that we are spending?

When I was talking with Tom about this, I said, well, how do you explain that? He said, well, I think in part it is because at the postsecondary level you have competition, you have choice. People can decide where they want to take their Pell grant, their GSL, or their personal finances, and they decide where they want to go to college or community college or trade school.

Part of the rationale for these programs, that the President believes very strongly in, is exactly that type of choice. Because choice instills opportunity, competition, and accountability.

Senator HARKIN. The problem with that line of reasoning, while I might tend to agree with it philosophically, is that when you get to the postsecondary stage, a person 18 years old in high school can make fairly informed and judgmental decisions on where they want to take their Pell grant or guaranteed student loan, a kid 5 or 6, 8, 9 years old cannot make that decision.

Mr. KOLB. But here is my point——

Senator HARKIN. You are probably going to say that the parents are equipped to decide, but how does a parent really know?

Mr. KOLB. Who is emulating our elementary and secondary institutions? The answer is I do not think you find a whole lot of people. But, where you do find emulation or copying is in our graduate schools and our institutions of postsecondary education. That, I think, tells us something.

You are absolutely right. The children are not going to vote here, but the parents are. The point here is to get parents involved and to give them an opportunity. If you give them an opportunity and they do not take it, you are absolutely right, nothing has happened.

Unfortunately children are not capable of making that determination themselves. So one of the most important things that we can do is to bring parents back into education.

OPEN ENROLLMENT

Senator HARKIN. Have you looked at what has happened with the open——

Mr. KOLB. We are monitoring Governor Perpich's program very closely. Yes.

Senator HARKIN. The Governor has signed it in Iowa. We are moving along with Minnesota, to where you can cross school district boundaries to go to school. You can go to school wherever you want to go as a matter of fact.

I have talked with some people in Minnesota about that, and they said they have had good success.

Is this the kind of thing you are taking about?

Mr. KOLB. We think that right now, if you look at what is going on at the State level, there are all sort of experiments. The National Governors' Association has had a pilot project for the last 2 or 3 years called Time for Results. They monitor 16 school districts in 8 States that are trying to reduce barriers and to experiment.

The President is also proposing $13 million for experiments for educational achievement. So we want to, as I said, put seed money out there to encourage some of the things that are going on at the State level.

ALTERNATIVE CERTIFICATION

I should just add, you have not asked about it, but it is something I think you would appreciate. Alternative certification is a program to get more teachers and principals into our schools.

We have got, for example, hundreds, if not thousands, of people who retire from the Defense Department and the private sector who are skilled in science and math. We ought to be able to get them, if they want to, back into our schools to teach our young people without necessarily having to have them frustrated by having to jump through a lot of hoops, in terms of getting special education degrees and certificates.

Now why is the alternative certification program in the President's package? In working with the White House, I learned that one of the reasons that George Bush is so much behind alternative certification is that he was victimized by it. When he graduated from Yale, phi beta kappa in economics, and moved down to Texas, he wanted to be a teacher, to be a volunteer teacher. He found out that he could not do it.

So he is behind these programs for a number of reasons, personal experience, his own dedication, but, also, he believes that they will work and provide the type of restructuring that is needed in education in this country.

It cannot be business as usual, because business as usual is getting us $331 billion, and the results just are not there.

Senator HARKIN. I sure hope that he is not of the mindset that anyone who has a degree and wants to teach is capable of doing so?

Mr. KOLB. Oh, absolutely not. No; we are talking about people who are qualified.

Senator HARKIN. How do we know? How would I have known if a George Bush out of Yale, phi beta kappa in economics can teach? We do not know that. It may sound like he wants to, but he may not understand how you get concepts across to kids.

Mr. KOLB. But you should not presume that someone like that cannot. Obviously we do not want just anyone going into the schools. There are, I would say, over 20 alternative certification programs up and running in the States. They are not just letting in anybody who wants to be a teacher.

Senator HARKIN. So there should be some certification process?

Mr. KOLB. Oh, absolutely. Absolutely.

Senator HARKIN. It is a thorny question. I agree that there are a lot of people in our society that are available to teach but that are not being utilized. I agree with that. But, again, it is a problem of how you get them certified and how you make sure that they understand how to teach, all the dynamics that are involved in public school education.

I do not know if George Bush went to public schools or private schools, but I think a lot of times, people who have been in private schools all their lives do not understand the difference in public school education and what it means to have a broadly based educational system rather than a narrowly defined educational system.

JAPANESE EDUCATIONAL SYSTEM

I lived for 1½ years in Japan. I had occasion to observe schools in Japan, and two things stuck in my mind over these 20-some years: Their facilities were physically lousy; and they tend to segregate the students.

Those that were bright and were capable were taught and those that were not, well, they just sort of got by as best they could.

A reason I do not think you will find many people emulating Japan's primary and secondary schools is because most of the kids that go there have tutors in the evening, and we do not have that in America.

What systems are being emulated around the world? What elementary and secondary education systems are being emulated?

Mr. KOLB. Let me respond to your point about the Japanese.

I was not saying that we ought to emulate the Japanese structure, but I do think we ought to emulate their results. I will give you an example from the National Governors' Association report a couple weeks ago, a very interesting study of international education that they released.

In that report they noted that one out of every seven Americans could not locate the United States on a globe.

If that is true for American adults, I would hate to think of what it might be for those children coming along in the future.

I think that no one is wedded to a particular structure. But my point, Mr. Chairman, was that we seem to be doing pretty well in terms of access and quality and results in higher education. We ought to be asking the same sorts of questions about what we are doing at the elementary and secondary level.

We want to work with anyone who has ideas as to what is best. As you know, we cannot mandate it from the Federal level. We do not have the money to do it, nor should we.

The beauty of this country has been its creativity through its diversity. This is exactly what I think we are seeing now in many of these State level reforms that are going on right now.

FINANCING THE NATION'S EDUCATION SYSTEM

Senator HARKIN. I would like to ask, where is it written in stone that our primary and secondary educational system has to be financed through property taxes? Is it in our Constitution?

Mr. KOLB. No.

Senator HARKIN. Somehow that is what has developed. Elementary and secondary education in this country is paid for by property taxes.

Ergo, if you live in a nice, fancy high-income neighborhood, you pay a lot of property taxes, you have got nice schools. If you live in a low-income area, low property values, you pay less taxes, you have got bad schools.

Mr. KOLB. That was exactly the point that was made on part 2 of "Learning in America" last night if you saw it.

They also had some schools that were in low-income areas that were turning themselves around. So, it is not just low income. That means——

Senator HARKIN. Did they hit on about how they financed it?

Mr. KOLB. Yes; they did.

Senator HARKIN. I have got to get a copy of that and watch it. I was watching something else last night.

Mr. KOLB. Not basketball? [Laughter.]

Senator HARKIN. Did they have any suggestions on it or just——

Mr. KOLB. Well, they had some very good examples of schools and dedicated principals and teachers that were making a difference and turning it around.

I cannot remember if it was New York or St. Louis, but there are some examples out there that should be emulated because they are not just schools with a lot of money in nice, fancy neighborhoods.

Senator HARKIN. It just seems that we all have a stake in education. I mean, I have a stake in the education of kids in Texas and Colorado and Montana, as well as Iowa, and so does everyone in this room.

Mr. KOLB. But this discussion is not all that far afield, I think, from what we are here to talk about this afternoon, and that is how the budget is constructed and where the money is going and what we are getting for that money. So, I do not feel terribly guilty about it.

Senator HARKIN. OK. I do not want to waste my guilt feeling here using your time and the witnesses' time. But, we ought to look at the funding for this. All these new proposals are excellent. I

have questions on how they are implemented and whether or not they are really going to accomplish their purpose, but I do not see anything wrong with them as such.

DRUG-FREE SCHOOLS AND COMMUNITIES REQUEST

Let me move ahead to the drug situation. You are requesting $367 million, a $12 million increase over 1989 for ongoing activities in the Drug-Free Schools and Communities Program. This is about a 3.4-percent increase?

Mr. KOLB. Yes, sir.

Senator HARKIN. But then in addition to that you have $25 million for new drug-free schools urban emergency grants. Now, is this a compliment to that program?

Mr. KOLB. We hope so, yes, sir; in fact, if you add that money in, the increase goes up to a little over 10 percent.

We did have about a 50-percent increase, a 54-percent increase to be exact, in that program the year before the current one.

SELECTION OF SCHOOLS TO RECEIVE PRESIDENTIAL MERIT SCHOOLS AWARDS

Senator HARKIN. OK.

Now, getting back to merit schools, How are they selected? Have you set up some basic criteria at the national level?

Mr. KOLB. Yes.

Senator HARKIN. State boards will be set up and selected through some process. I suppose they could have different criteria than the national—probably no less than, but——

Mr. KOLB. Well, I do not think they will be at odds with each other.

If you like, this material, as I said, is going to be released tomorrow. We certainly would like to provide your staff with some examples of what each of the programs would look like, and we would be delighted to do that tomorrow morning.

DRUG EDUCATION IN RURAL AREAS

Senator HARKIN. All right.

You are focusing money mostly on the urban emergency grants even though the President said the other day that there was a problem in rural America. Again, what will you be doing for drug abuse and drug education in rural America?

Mr. KOLB. As the Secretary noted this morning, we estimate that of all the money in the Department that is allocated to State and local governments, about 35 percent of it will benefit students in nonurban areas.

I do not know whether we have at this point a precise breakdown as to how the drug money is going out, but I can assure you that our goal is to disseminate what we know about how best to deal with drugs all across the country, and I can assure you the commitment is there with regard to drug elimination in rural areas.

I do not know if we have it broken down. It is going to be consistent. About 35 percent of State and local money is going to be in rural areas.

But a lot of our activities in terms of evaluating what we have been doing for the last 2 years, getting at the information and the videotapes that we talked about this morning, we think are going to benefit rural areas.

If you think there is a better way we can do that in terms of getting out that information, we certainly would be willing to work with you.

COORDINATION WITH THE OFFICE OF NATIONAL DRUG CONTROL POLICY

Senator HARKIN. Can you tell me about coordination, Mr. Bennett's—what is his department called? Does he have a department? What is it called?

Mr. KOLB. Office of National Drug Control Policy.

Senator HARKIN. He is kind of a drug czar. For some reason I find that connotation distasteful.

Mr. KOLB. Office of National Drug Control Policy. The Office of National Drug Control Policy is the——

Senator HARKIN. Office of National Drug Control Policy. Is there coordination between that office and the Department of Education?

Mr. KOLB. Well, let me say I am not sure there is a formal coordination mechanism established as such. I can tell you that I have had the privilege of serving under both secretaries, Secretary Bennett and Secretary Cavazos, and also working in a number of areas that address the drug problem in the country.

We expect a very close working relationship with them. I do not anticipate any complications. Our goals are the same. Secretary Bennett's mandate gets him into certain enforcement areas regulating, as you pointed out, some of the efforts at supply reduction. But we expect to work very closely with the director and his staff.

Senator HARKIN. I would hope that there would be some more formal coordination.

Mr. KOLB. I think the drug czar has a statutory mandate within 180 days of his confirmation to prepare and submit a national strategy, and that obviously is going to include the Department of Education.

We agree with you that you have to go after not just the supply side, but also demand as well and set examples at every level—families, the work place, public and private life.

Senator HARKIN. I would hope that some of those new initiatives that the President has introduced would provide some kind of demonstration programs, or grants to schools at the elementary, kindergarten, first, second grade levels.

Mr. KOLB. We have a drug office in the Department that is headed by Dick Hays, and he is working very closely—virtually on a daily basis—with the people at the drug czar's office.

So, what I meant was—I did not mean to imply that coordination is not going on. It is not yet formalized in any bureaucratic sense.

DRUG PREVENTION PROGRAMS AT THE ELEMENTARY LEVEL

Mr. BONNER. I would add also that we plan a grant competition for drug education and prevention projects for students in grades K to 8.

Senator HARKIN. I am sorry. Say that again?

Mr. BONNER. We plan to have a grant competition for drug education and prevention projects for students in grades K to 8. So, we are planning activity at the elementary level.

Senator HARKIN. I assume some of that would involve developing methodologies, teaching aids, devices, things that can get through to kids.

Mr. BONNER. Correct.

Senator HARKIN. What are the best methods to be used?

Mr. BONNER. Education is one thing, but obviously most specifically prevention at that early age is primarily important.

Mr. KOLB. One additional point. There is a National Commission on Drug-Free Schools that was created by the Anti-Drug Abuse Act of 1988, and I believe that that Commission is to be cochaired by Secretary Bennett and Secretary Cavazos.

Senator HARKIN. Were you talking, Mr. Bonner, about the amendments to the Drug-Free Schools Act of last year that mandated that the Department of Education in consultation with HHS develop age-appropriate drug abuse education curricula and disseminate these programs to Head Start agencies and chapter 1 programs, are you talking about something else?

Mr. BONNER. Yes.

Senator HARKIN. That is what you were talking about?

Mr. BONNER. No, sir; we are talking about something else.

Senator HARKIN. OK.

Let me ask you about the amendments last year that mandated that you coordinate with HHS to develop age-appropriate drug abuse education curricula materials, methodologies, and things like that.

Mr. BONNER. Right.

Senator HARKIN. What about the dissemination of these programs to Head Start and chapter 1 programs? Mr. Kolb, or Mr. Bonner, do you know what——

Mr. BONNER. It is in the Department's Office of Educational Research and Improvement. I understand that implementation of that project is being handled through that office.

Mr. KOLB. The work is underway. We are carrying out the mandate.

Senator HARKIN. On those amendments?

Mr. KOLB. Yes.

Senator HARKIN. So my question is, What progress have you made on this initiative? And you say it is being——

Mr. KOLB. We will be willing to get back to your staff. I cannot give you that this afternoon, Mr. Chairman.

[The information follows:]

DRUG EDUCATION FOR YOUNG CHILDREN

Department staff has conducted background research to ascertain what approaches to drug abuse prevention are currently being used with prekindergarten-age children. Staff has also been identifying and talking to professionals in the fields of child development and drug abuse prevention to develop an appropriate context for new prevention approaches and materials. Department staff began these efforts by talking to staff at HHS in the Office of Substance Abuse Prevention. As a principal step in implementing this initiative, the Department will hold a planning meeting early this summer with experts in the fields of early childhood education and representatives from the substance abuse prevention community. Staff from HHS will be

attending this meeting also. The Department will make final plans for developing and disseminating the drug prevention curricula programs and training materials after receiving the opinions of those experts attending the meeting.

EDUCATION FOR THE HANDICAPPED

Senator HARKIN. All right.

The fiscal year 1990 request for the Education of the Handicapped, Special Grants Program, recommends an increase of $50 million, or again, 3.4 percent. Though the Education of the Handicapped Act authorizes a Federal share per pupil of up to 40 percent of the national average per-pupil expenditure, actual appropriations have never exceeded 12.5 percent, and have been approximately 9 percent for the last several years. The fiscal year 1990 request represents only 7 percent of the national average per-pupil expenditure.

The question is, To what extent does the Federal Government's failure to provide the full funding goal expressed in Public Law 94-142 jeopardize the quality of services and the extent to which programs meet the multiple needs of children with handicaps?

We authorize it up to 40 percent of the national average. The fiscal year 1990 request represents only 7 percent of the national average per-pupil expenditure.

Ms. SMITH. Of course we would prefer to increase our support of the programs for the handicapped, but budget constraints limit the extent to which we can provide additional support.

Our request would provide an average of $351 per student for the 4,342,000 children who are estimated to be counted and served in 1990. This is an increase, as you said, of $7 per child over the 1989 appropriation.

Senator HARKIN. How much?

Ms. SMITH. It is a $7 per child increase for over 4 million students. The 1990 request will cover about 7 percent of the estimated $4,846 average excess cost associated with educating children with handicaps in 1990, this request would maintain the 1989 Federal share of that excess cost.

Senator HARKIN. Has the increase even kept up with inflation?

Ms. CHRISTENSEN. Yes; the proposed increase is keeping up with inflation. It is 3.4 percent, which is the inflation rate between the 2 years.

I would point out, Mr. Chairman, this program, historically has never received those large appropriations that 40 percent would require.

Senator HARKIN. I know that. But it is going in the other direction.

Ms. CHRISTENSEN. Overall, it has been maintained.

Senator HARKIN. Well, it has been as high as 12.5 percent, then it started going down to 9 percent, and now it is down to 7 percent. It is going in the opposite direction. I know it has never been 40 percent.

Ms. CHRISTENSEN. The last few years the Federal share of excess costs has been about 7 percent. About 10 years ago, I think it was as high as 12 percent.

Senator HARKIN. Well, as I say, it is going in the opposite direction. I would hope that we would at least stabilize it, or even bring

it up a little bit. But, you say this in no way jeopardizes the quality of services at all, or the extent to which the programs meet these multiple needs?

Ms. CHRISTENSEN. That is right. Because, in general, the States are increasing their funding dramatically, and they have over the past several years.

I would also point out, with the implementation of the preschool program, now States are——

Senator HARKIN. Could you supply for the record, the States that have increased over the last few years?

Ms. CHRISTENSEN. I would be glad to.

Senator HARKIN. State increases that have come down on that.

Ms. CHRISTENSEN. Surely.

[The information follows:]

STATES THAT INCREASED FUNDING FOR SPECIAL EDUCATION AND RELATED SERVICES [1]

State	1982–83 school year	1984–85 school year [2]	Percentage increase
Alaska	$33,050,557	[3] $42,217,947	28
Arizona	54,166,956	76,959,318	42
Arkansas	27,274,412	[3] 38,262,399	40
California	931,000,000	[3] 1,025,892,031	10
Colorado	57,553,412	62,673,795	9
Connecticut	67,292,380	106,297,803	58
Delaware	27,753,978	[3] 28,251,178	2
District of Columbia	14,247,315	[3] 34,512,510	142
Florida	273,787,666	314,977,910	15
Georgia	123,856,908	163,996,348	32
Hawaii	30,463,596	30,839,817	1
Illinois	441,131,848	516,014,146	17
Indiana	70,239,579	90,113,987	28
Kansas	38,805,051	[3] 70,417,874	81
Kentucky	95,415,500	[3] 120,634,503	26
Louisiana	143,160,273	[3] 185,085,060	29
Maine	13,897,571	33,819,168	143
Massachusetts	134,562,771	[3] 188,769,402	40
Minnesota	100,000,000	151,682,000	52
Mississippi	63,884,967	69,286,427	8
Montana	21,398,739	[3] 26,812,088	25
Nebraska	40,486,043	47,496,321	17
Nevada	16,680,398	41,519,840	149
New Hampshire	9,365,312	[3] 9,675,561	3
New Jersey	360,733,366	[3] 389,762,120	8
New Mexico	70,797,982	91,137,992	29
New York	659,343,000	[3] 1,124,600,000	71
North Carolina	133,045,181	162,559,855	22
North Dakota	10,695,566	[3] 12,443,920	16
Ohio	253,000,000	[3] 584,970,100	131
South Carolina	55,706,402	[3] 60,335,689	8
South Dakota	6,387,151	[3] 12,133,673	90
Tennessee	62,191,317	[3] 96,930,600	56
Utah	43,875,578	[3] 63,361,630	44
Washington	97,233,856	[3] 166,099,167	71
West Virginia	61,178,307	[3] 70,051,640	15
Wisconsin	129,950,902	197,725,121	52
Wyoming	18,822,993	[3] 21,706,619	15

[1] State-reported expenditures.

[2] Most recent data available. Eleven States did not have increases in State expenditures. Although State expenditures for Oregon and Texas declined, increases in local expenditures offset State decreases so that total funding (combined State and local expenditures) increased between the 1982–83 and 1984–85 school years. Because Puerto Rico did not report State expenditures for the 1984–85 school year, increases in State expenditures could not be calculated. Since Missouri and Rhode Island reported combined State and local expenditures for the 1984–85 school year, increases in their State expenditures also could not be calculated.

[3] The State reported estimates.

Senator HARKIN. To see what States are doing. I would like to see the effort the States are making out there.

Ms. CHRISTENSEN. I would also point out, though, that with the big impetus in the preschool program over the past few years now, States are aggressively identifying those children and bringing them into the program.

And, in fact, preschool children are counted under both the State grant program and the preschool program. For each child the State receives more than $900.

Senator HARKIN. I am going to defer. Now I recognize my distinguished friend, the Senator from North Dakota, Senator Burdick.

PROPOSED ELIMINATION OF "B" PAYMENTS

Senator BURDICK. Mr. Kolb, I have some concerns about impact aid. The administration wants to delay category "b" impact aid payments. This sounds like a broken record to me. Districts are burdened by the cost of serving children in this group.

Each year there is an effort to eliminate category "b" payments. The argument that they are not needed just does not hold water. My State's schools need this money very much.

How are States supposed to make up for this loss of part "b" payments?

Mr. BONNER. Sir, if I may address that.

The issue is burden, we feel, and the impact on tax revenues, on ability to raise tax revenue, as differentiated from 3(a) students, whose parents both work on and live on Federal property. The "b" students who have parents who either work off Federal property, or who live on property that is locally taxed.

There is, therefore, for the school district, no negative burden for "b" children—or the burden is much less than it is in the case of "a" students.

I have looked at reports and studies going back to the 1960's, I admit, not to the 1950's, but to the 1960's. The most overwhelming cumulative effect of the data, is that it is justifiable for us to seek to eliminate those "b" payments.

Ms. CHRISTENSEN. Senator Burdick, I would like to add a couple of points to that.

First of all, I would say that both Democrat and Republican administrations over the past 20 years, at least, have all proposed eliminating "b" payments for that very reason.

In fact, Congress, in 1981, accepted our proposal to phase out "b" children and went along with it to a very large extent. It was only a couple of years after that, that Congress went back and restored "b" payments.

They did not phase them out, but restored them at a very low level; to the point where they receive a very, very low percentage of their entitlement payments today.

I think that does reflect a general agreement on the part of the Congress on this philosophy.

I would also point out that the average payment to school districts for "b" children represents less that one-half of 1 percent of

their total operating expenses. So I think that that, in itself, shows that there really is not a burden at all.

Senator BURDICK. As I understand it, the formula provide for less money for part "b", but they still maintain that it is necessary to have it.

Is that correct?

Mr. KOLB. I am sorry, Senator. I could not hear your question.

Senator BURDICK. I think there has been no understanding to eliminate part "b". Some of the part "b" was renewed with no elimination.

Ms. CHRISTENSEN. As part of the Reconciliation Act of 1981, there was an understanding not to eliminate "b" payments, but to phase them out. And, in fact, it was to be phased out very substantially. Congress did restore it at least to the level to which it had been cut at that time. And that has been generally maintained over recent years.

You are right, it was not eliminated completely.

Senator BURDICK. That is correct. It is not out. It is still viable and still ongoing. I think it should be greater, but it is still there.

You do not deny that, Mr. Kolb, do you?

Mr. BONNER. Is your question, sir, that "b" payments are justifiable?

Senator BURDICK. Somewhere along the line, I got the impression that part "b" was eliminated.

Mr. BONNER. No, sir; we are making a proposal with respect to the 1990 budget. And, as to that, we propose the elimination of payments for "b" children. Yes; this is not without precedent.

Senator BURDICK. And it is not eliminated; in the present law it is still there?

Mr. BONNER. That is correct, sir.

Senator BURDICK. Now you want to eliminate it? Have I got that straight?

Mr. BONNER. Yes, sir.

Senator BURDICK. And I do not want to. [Laughter.]

Mr. BONNER. I do understand.

Senator BURDICK. I am glad we understand one another.

PAYMENTS BASED ON AVERAGE DAILY ATTENDANCE

In your budget justification book, you mentioned basing impact aid payments on average daily attendance. Some rural school administrators in my State have raised concerns about this practice.

The States use the average daily membership figure instead. The administrators would like for only one measure to be used. They prefer the average daily membership.

The two counts could be expected to be close. However, when one considers a flu epidemic, or other problem which might cause many absences, one can see how the numbers would differ.

Would you support a change to the average daily membership rate, and why?

Mr. BONNER. Senator, I would certainly want to research that. It is the first time that issue has been brought to my attention. It is worth researching.

Senator BURDICK. Well, fine. Thank you.

COST OF INFLATION INCREASES

The administration has requested some $578 million in impact aid, part "a" funds. This is about a 3.6-percent increase over the current year's appropriation.

Impact aid payment levels are based on the national average for the per-pupil expenditures. That average has increased by more than 7.5 percent this year. I realize that our deficit keeps us from being able to increase impact aid by 7.5 percent, but 3.6 percent will not even keep us up with inflation.

The inflation level is expected to be around 4.2 percent. How do you justify not even requesting enough to keep up with inflation? What do you say to the States which would have to make up for the lost funds?

Mr. BONNER. Senator Burdick, the fact of the matter is, in reckoning with the overall budget and the individual items in the budget in making the presentation, we felt that 3.6 percent, roughly the consumer price index, or the OMB index, represented a just estimate of the inflation rate.

And responsible people can differ.

Senator BURDICK. So, you think 3.6 keeps up with inflation?

Mr. BONNER. Yes, sir; on balance.

Senator BURDICK. A lot of people are going to disagree with you, and the facts are going to disagree with you. The lowest figure that we have heard is 4.2 percent. Expenditures have risen to 7.5 percent.

You disagree with that figure?

Mr. BONNER. Just to underscore that, in reckoning with the budget and how we would present it, we felt that 3.6 percent was the just figure, taking inflation into account.

Senator BURDICK. So you are recommending to this committee that that percentage should be 3.6?

Mr. BONNER. Yes, sir.

Mr. KOLB. Well, let me just say that 3.6 is the percentage increase, Senator. As Mr. Bonner indicated, reasonable people can disagree with respect to inflation estimates. The CBO and respected private sector companies have all disagreed on inflation estimates.

We did not go about this just to come up with an inflation-adjusted figure here. There are other programs that have adjustments that are higher than inflation.

But this figure, 3.6 percent, is pretty close to what we had projected as inflation, to cover it. You know, we are not here trying to make a rock-hard prediction. The increase could actually come in above the inflation rate; it could come in below it. This has happened before.

This is our rough prediction. As I said, other programs got higher increases because, in creating this budget, we had to establish priorities. And still other programs got substantial decreases.

Senator BURDICK. Well, I am just trying to develop here what the testimony is. The inflation level is going to be around 4.2 percent, can you argue with that? Can you argue about that? Do you take issue with that?

Ms. CHRISTENSEN. Yes; Mr. Burdick, the inflation rate that OMB is using governmentwide for all programs for the current year is 3.6 percent. We have 3.4 percent for next year for programs that are forward-funded, but for programs that are current-funded, such as this one, we are using 3.6 percent. That is the GNP deflator.

As it turns out, this inflation rate reflects State and local purchasing power. OMB made a conscious decision to start using that in the last year or so, because it has been reflective of what has actually happened in inflation over the past several years.

So they are using this inflation factor because they feel that that is the most accurate indicator of what really happens.

Senator BURDICK. The only mention that I have is that CBO figures the inflation estimate is over 4 percent. You must be getting some different information than I have.

Mr. BONNER. You are talking about the Congressional Budget Office figure, and OMB is using a different figure.

Senator BURDICK. Of course, to be fair I think we should go with the higher one. I think we should go with the CBO figure, at least.

That is all, Mr. Chairman.

TECHNOLOGY ASSISTANCE FOR THE HANDICAPPED

Senator HARKIN. As you know, last year I authored a bill on technology assistance for the handicapped. Your fiscal year 1990 request is $10.6 million, an increase of $5.1 million over fiscal year 1989. I want to congratulate you on that. I think that is a good, healthy increase.

Changing technology holds great promise for the disabled. However, that new technology does no good if no one is aware of the special devices that are available.

Again, I want to just ask what is being done to insure that information on these new technologies is being transferred to the user community? When do you envision a report on the effectiveness of the program?

Ms. SMITH. That type of information will be gathered by a technical assistance contractor. They will assist States in collecting data on outcomes and keep track of what is happening.

We propose to make eight awards to States this year and eight new ones next year. There also will be a technical assistance contract that also will be funded.

Senator HARKIN. Did you say the other day——

Ms. SMITH. I am sorry?

Senator HARKIN [continuing]. Because a lot of the States are getting ready for this, but they do not have the regulations. Did you say by the end of this week?

Ms. SMITH. Yes; they have been forwarded back to OMB; we answered the questions that they had. They will be published as soon as possible. We have the staff person coming on board to administer the program and we are ready to move on it.

Senator HARKIN. OK, good.

How about a report on the effectiveness of the program, this year, next year?

Ms. SMITH. Oh, I am sorry. The effectiveness is to be reported in the third year.

Senator HARKIN. Oh, is that what it is?

Ms. SMITH. Yes.

Senator HARKIN. I am sorry. My mistake. So that will be next year?

Ms. SMITH. No; it is just beginning.

Senator HARKIN. In 1991, yes?

Ms. SMITH. Yes.

Senator HARKIN. OK.

WORKPLACE LITERACY

I just have a couple more questions here. The Workplace Literacy Program. Two years ago, the Congress initiated a program for Workplace Literacy Partnerships. The program is unique since its funding is limited to partnerships between schools, labor organizations, and businesses, to provide literacy training in the workplace.

Now, Mrs. Guiton. Tell me how to pronounce your name again.

Ms. GUITON. Guiton.

Senator HARKIN. Guiton.

Ms. Guiton, your office was flooded with applications. As I understand, you received almost 11 applications for every award you could give. Each application represented a newly established partnership between a school, a labor organization, and business.

Well, if it was so popular and you had so many applications, why are you asking us to terminate funding for this program?

Ms. GUITON. The same program can be administered under the basic grant. So we think that the program is duplicative. We are not suggesting that workplace literacy activities should not continue, we are suggesting that it can be handled under the basic grant.

Senator HARKIN. Can you tell me how much funding under the State Grant Program goes toward Workplace Literacy Partnerships?

Ms. GUITON. You mean on a State-by-State basis?

Senator HARKIN. Totally.

Ms. GUITON. No; I do not know.

Senator HARKIN. You do know how much funding under the State Grant Program goes toward Workplace Literacy Partnerships?

Mr. KOLB. It is a total of $11.9 million.

Senator HARKIN. It is $11.9 million.

Ms. GUITON. Right.

Mr. KOLB. That is the total for the program.

Ms. GUITON. Yes; there is a total increase in the overall adult education budget of about 18 percent.

WORKPLACE LITERACY PARTNERSHIPS

Senator HARKIN. Wait a minute. That is the money we appropriated.

Ms. GUITON. The total budget.

Senator HARKIN. Par on?

Ms. GUITON. We are talking about the total budget for adult education. I am saying that the total budget, overall, has increased. But, we have eliminated the set-aside for the Workplace Literacy Program, so that it can be incorporated into the basic grant.

Senator HARKIN. We appropriated $11.9 million, OK?
Ms. GUITON. OK.
Senator HARKIN. OK, is that right?
Ms. GUITON. Yes.
Senator HARKIN. That is right.
You say now, you do not want any money for this program because it is going to be incorporated into the basic grant program, State Grant Program.
Ms. GUITON. Right.
Senator HARKIN. What I am asking you is, can you tell me how much money is in that basic State Grant Program that goes toward Workplace Literacy Partnerships? I can tell you right now your answer is, no, you cannot tell me. Because you do not know. I do not think, unless you know something I do not know.
Mr. KOLB. Well, I believe some of that money is going to be forthcoming from the private sector. And that, in part, is why we cannot give you an answer to that.
Senator HARKIN. How much?
This is a popular program, it was well-supported in the Congress, it seems to have been supported by the business sector, labor, and the schools. You had all these applications. What I am saying is that you say, fine, you are going to put it under the State Grant Program, but you cannot tell me how much money in the State Grant Program goes toward Workplace Literacy Partnerships.
Ms. GUITON. No; I cannot, specifically. But I can say that we believe that if the programs are as popular as they appear to be, we do believe that the States will continue the programs. They have discretion as to how much they put into the programs.
Senator HARKIN. But they are going to have to take it away from something else, because you are asking for no money for this program. How much of an increase was there in the State Grant Program?
Ms. GUITON. It is $24 million, which is about an 18 percent increase.
Mr. KOLB. It is $24 million, about 18 percent.
Senator HARKIN. So there was an increase of 18 percent. So you are saying that this could be done through the State Grant Program?
Ms. GUITON. Right.

WORKPLACE LITERACY PARTNERSHIPS

Senator HARKIN. But you do not know how many States are doing it?
Well, we will track that and find out. You see, because it has been a popular program and one that has had a lot of support.
Ms. GUITON. We will provide you with some additional information that we do have on the program.

RURAL EDUCATIONAL OPPORTUNITIES PROGRAM

Senator HARKIN. I would appreciate that.
Mr. Bonner, last year I authored a Rural Educational Opportunities program for compensatory education. This was done in the last Congress. It was funded for the first time last year, at $4 million,

and 10 centers are being opened in fiscal year 1989, as required by law.

I see now the administration is arguing that we should terminate the program in fiscal year 1990, because these services can be done just as well by the regular chapter 1 Technical Assistance Centers.

Well, does it really make sense for the Department to develop 10 new centers this year only to terminate them next year?

Mr. BONNER. If it means improving or consolidating the delivery of technical assistance, then there is a rationale for that, Senator.

Senator HARKIN. Ten this year, and then just transfer them to the six centers next year.

Mr. BONNER. That is the objective. We seek to avoid any duplication. A number of our centers, if I may say so, are in relatively rural areas in Kansas, Colorado, and Georgia.

Ms. CHRISTENSEN. Senator Harkin, these awards for the Rural Technical Assistance Centers this year will be made for a period of 2 years, roughly. They will be coordinated very closely with the existing chapter 1 Technical Assistance Centers.

In fact, six of them are located in the same regions as the existing chapter 1 Technical Assistance Centers. They can be coordinated and phased out at the same time that the chapter 1 centers will take them over.

Senator HARKIN. Are you telling me you are not spending $4 million this year?

Ms. CHRISTENSEN. No; we are definitely going to obligate the money and make the awards—I am just saying that the awards will cover these centers for a period of 21 months and coincide with the contract period for the chapter 1 Technical Assistance Centers.

Senator HARKIN. $4 million?

Ms. CHRISTENSEN. Right.

Senator HARKIN. I thought we appropriated the money for this year.

Ms. CHRISTENSEN. You did, and we are obligating it. This is the first year of the program.

TECHNICAL ASSISTANCE PROVIDED TO RURAL AREAS

Senator HARKIN. The rural school districts will be at the same levels of service in 1990, without the rural centers, as in 1989?

Ms. CHRISTENSEN. Yes; I am saying that the awards this year will be set up for a 2-year period for operating the Technical Assistance Centers for 2 years, or 21 months.

They will phase out at the same time that the current projects for the chapter 1 Technical Assistance Centers phase out. At that time, when the chapter 1 assistance centers are renewed, they can coordinate their activities and pick up anything that might have been left out. Basically, those centers cover the same areas also.

Senator HARKIN. If we decide in this committee to continue separate funding for the centers in 1990, can I then assume that you will not require the $4 million increase in the regular Technical Assistance Centers program?

Ms. CHRISTENSEN. No; we would still require that. I was just trying to make the point that we are not just setting them up for 1 year and then they are just going to be dropped, that they are

being coordinated very closely with the chapter 1 centers and for the same period of time that those contracts run, so there is coordination between the two. It is not a case of just funding them for 1 year only and then dropping them in that proposal. Obviously, if you fund them again that is what we will do.

Senator HARKIN. We will take a look at that closer later on, too.

BILINGUAL EDUCATION FELLOWSHIPS

Senator HARKIN. Ms. Coro, last year the committee expressed concern about the low rate of participant completions in the bilingual fellowship program. We deferred funding for this activity pending results of a study on the need and effectiveness of this program. What is the status of your work on this study?

Ms. CORO. The report will be submitted very soon. It is due in May and we will be providing the information. We cannot use the money until we have provided the information to the Congress. So we are not yet funding the program.

Senator HARKIN. We will have the results of the study in another month?

Ms. CORO. Yes; in May.

WORK FORCE SKILLS REQUIRED FOR AVAILABLE JOBS

Senator HARKIN. There is just one area that I wanted to just bring up. I do not know that it requires a lot of discussion, I just want you to know about my interest in this area.

I discussed it with Secretary Dole when she was here. My concern is that we are headed for a major mismatch of skills in the work force and skills required by available jobs. She is very interested in this area too.

I am just wondering what are you doing on the department level to address this problem?

Ms. GUITON. Well, Mr. Chairman, one of the first things we do is talk about it a lot, which is what everyone is doing and that is not going to change it, clearly.

But we have found that it was necessary for us within the Office of Vocational Technical Education to reorganize ourselves in order to respond to the new changes in Vo-Tech and the new job requirements and to begin to provide more technical support to the States in terms of how to implement programs that will be effective.

We have national discretionary programs including a co-op demonstration program on high-technology training which we think also helps to address the problem, and we are holding regional meetings providing technical support to the States in this area. We are really trying to put out the information on programs that are working in addressing the skills shortage.

A great deal of what we do, without a great deal of money, is to provide technical support, to stay on top of the trends, and to share that information with the States.

COORDINATION WITH THE DEPARTMENT OF LABOR

Senator HARKIN. One of the issues that I raised with Mrs. Dole at the time, or maybe she raised it with me—I do not know who raised it first—was the need for coordination.

Ms. GUITON. Absolutely.

Senator HARKIN. Now, are you coordinating with the Department of Labor?

Ms. GUITON. Yes, sir; we are. As a matter of fact, we shared with the Department of Labor our reauthorization proposal for their comments and input, which they did give us, and they in turn have asked for our input on JTPA as well. We have in our proposal outlined a couple of recommendations that we think would help our working relationship.

We are coordinating across the board and that is very important to us.

VOCATIONAL EDUCATION ACT REAUTHORIZATION

Mr. KOLB. Mr. Chairman, if I could follow up with a couple of points. The administration hopes to transmit its vocational education reauthorization bill either at the end of this week or I hope very early next week and we have tried to build into that proposal principles which we think address this mismatch and this skills shortage problem.

The bill will emphasize the attainment of basic skills so that people who are going into our work force are not just trained in a narrow area but have basic skills so that they have the capability to adapt and flexibility. Also, we want training that is performance-oriented, that is outcome-oriented, so that people are not being trained for positions that do not exist or for technologies that are outmoded.

But also, along these lines the proposal should include new discretionary authorities which will focus on things like teacher retraining, alternative certification for businesses and industry, personnel exchanges with private industry, summer initiatives, and retraining vocational educators so that they can stay current.

Our point here is to do everything we can to build in flexibility to this program so that we can avoid exactly the sort of thing that you are talking about. I cannot stress enough the point that Secretary Cavazos made during his testimony and that was to get across basic skills, because without basic skills you basically do not have any way to ensure that flexibility so that people can adapt to the changing environment.

Ms. GUITON. I might add also, Mr. Chairman, that we were pleased to get a copy of the Governors' report as to how the States were responding to this same situation and, interestingly enough many of the things that we are proposing many of the States are already doing, in terms of developing performance standards and increasing cooperation between agencies. So we think that we are on the right track.

Mr. BONNER. I have additional remarks on magnet schools and mathematics and science education. We believe that magnet schools improve the quality of education. The same is true for the Dwight D. Eisenhower Mathematics and Science Education Pro-

gram, which addresses an extremely important and compelling need for improved mathematics and science instruction at the elementary and secondary levels.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. That completes all of the pertinent questions I wanted to cover today. We have more that we would submit to you in writing.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CHAPTER 1 SERVICES TO PAROCHIAL SCHOOL CHILDREN

Question: As you know, the law requires that Chapter 1 services be provided to disadvantaged parochial school students. Last year, the Committee appropriated funds for the new Capital Expenses program to help offset the costs that are encountered by school districts in providing Chapter 1 services to these students. Ever since the Supreme Court outlawed providing Chapter 1 services in parochial schools, the public school districts have encountered tremendous extra costs to provide these services in alternative facilities convenient to the students served. If we follow your budget request and freeze funding for this program at $19,760,000, will we fall back to the level of services to parochial school students that we had prior to the Supreme Court decision?

Answer: There is no reason to believe that would happen. The number of parochial school children participating in Chapter 1 has increased every year since the Felton ruling in 1985, but that number has not returned to the pre-Felton level. We expect that both the fiscal year 1989 appropriation of $19,760,000 for Capital Expenses (which becomes available this July) and the 1990 request of $19,760,000 for that activity will further increase the number of parochial school children participating in the program.

RURAL TECHNICAL ASSISTANCE CENTERS

Question: Mr. Bonner, I was very proud to have authorized the Rural Educational Opportunities program for Compensatory Education in the last Congress. It was funded for the first time last year at $4 million and 10 Centers are being opened in fiscal year 1989 as required by law. I see now that the Administration is arguing that we should terminate this program in fiscal year 1990 because these services can be done just as well by the regular Chapter 1 Technical Assistance Centers. Does it really make sense for the Department to develop 10 new Centers this year only to terminate them in fiscal year 1990 and transfer their responsibilities to the 6 regular Technical Assistance Centers next year?

Answer: A 1988 evaluation of the Department's current Chapter 1 Technical Assistance Centers (TACs) in 1988 determined that they were doing an excellent job of delivering assistance to SEAs and LEAs in evaluating and improving Chapter 1 programs. We believe that the new Rural Centers would duplicate services already available through the regular Chapter 1 TACs. The Request for Proposal (RFP) for the new Rural Centers, which will be released in early May, has been written carefully to minimize any duplication. However, we continue to believe that multiple contractors serving the same area and clientele and providing similar services will not make for the most effective use of resources.

The RFP does permit an option period for operations through fiscal year 1990 in case Congress appropriates funds for that year for the Rural Centers. The Rural Centers and the Chapter 1 TACs would then both expire at the same time (early fiscal year 1991).

Question: Can you assure me that the rural school districts will get the same levels of services in 1990 without the Rural Centers as they will be getting in 1989?

Answer: We believe the focus that the Rural Centers place on building the capacity of SEAs to work specifically with rural LEAs would continue in 1990 without a specific appropriation. The direct services provided by the Chapter 1 TACs will result in rural school districts receiving an adequate amount of Chapter 1 technical assistance. TAC services within a State are designed to meet the priorities set by that SEA and are provided only at the SEA's direction. These State priorities (and the TAC services to be provided in response to them) are established annually in a formal Letter of Agreement. Any Letter of Agreement, particularly for States that are largely rural, would reflect priorities designed to meet the needs of rural school districts within those States.

Question: Should I assume that if we continue separate funding for the Rural Assistance Centers in 1990, then you will not require the $4,000,000 increase in the regular Technical Assistance Centers program?

Answer: No. The $1,525,000 expended on TACs in fiscal year 1989 covered only about four months of their operations. This would be approximately $4,575,000 on an annualized basis. The $5,000,000 request for the TACs within the Chapter 1 Evaluation and Technical Assistance activity for fiscal year 1990, therefore, represents only a modest increase of $425,000 on an annual basis.

STATUS OF THE CONTRACTS FOR THE RURAL TECHNICAL ASSISTANCE CENTERS

Question: It has now been almost six months since we initiated this program. What progress can you report to me on the development of the 10 new Rural Technical Assistance Centers?

Answer: An RFP for the 10 Rural Assistance Centers is scheduled to be released in early May. Contract awards are expected to be made in late summer. The RFP will provide for an initial contract period of 12 months and will use fully the fiscal year 1989 appropriation of $3,952,000. An option period for an additional nine months has been built into the contract in case Congress appropriates funds for fiscal year 1990 to continue the program as a separate activity. Rural Centers, could at the end of that time, be combined with the regular TACs or once again competed separately.

GAO REPORT ON THE CHAPTER 1 HANDICAPPED PROGRAM

Question: The General Accounting Office (GAO) will shortly issue a report on educating children with handicaps under the Education of the Handicapped Act and Chapter 1 programs. Based on discussions with GAO staff, we understand there is no specific guidance in the law or regulations concerning whether handicapped students should be enrolled in the State-operated Chapter 1 Handicapped program or the Education of the Handicapped Act program. Four States currently account for 47 percent of the total State-operated Chapter 1 program participants and receive over

50 percent of available program funds. In the Department's view, does the fact that four States collectively receive over half of the total funds comply with the intent of Congress?

Answer: We cannot speak to the intent of Congress. However, the Department does not believe that four States should receive over half of the total Chapter 1 program funds.

Question: To correct this situation, could State-operated Chapter 1 Handicapped program grants be allocated to the States in the same manner as the Education of the Handicapped Act program's $1,500,000,000 in State grants? That is, on the basis of each State's proportionate share of the Nation's total handicapped children population?

Answer: Chapter 1 Handicapped program grants could be allocated to the States in the same manner as the EHA Grants to States program. However, changing the formula for calculating Chapter 1 Handicapped State allocations would require a legislative change.

HANDICAPPED CHILDREN TRANSFERRED TO PUBLIC SCHOOLS

Question: According to GAO, 45 States now count handicapped children that have conditions not considered severe by experts and State officials in preschool programs under the State-operated Chapter 1 program. According to GAO's draft report, these children often are transferred to regular public schools and receive higher funding levels than they would under the EHA program. What budget savings could be achieved if State-operated Chapter 1 program preschool children who transfer to public schools received the same per student allocation as EHA program participants?

Answer: The Department does not now have data regarding the number of Chapter 1 program children, including preschool children, who have transferred to public schools. Collection of these data was authorized by the Hawkins-Stafford Elementary and Secondary School Improvement Amendments of 1988. Therefore, we cannot at this time project the budget savings, if any, that could be achieved if Chapter 1 Handicapped preschool children who transferred to the public schools received the same share per child as children counted under the EHA.

We would not expect any budget savings to be realized at first, however, if preschool children, aged three through five years, who were transferred to regular public schools were to be counted under the EHA. Preschool children counted under the EHA receive a share per child served from two programs, Preschool Grants and Grants to States. The total share for a preschool child served under the EHA, therefore, is now higher than the share for a preschool child served under the Chapter 1 Handicapped program.

However, after a child turns six years of age, States receive a share per child served only under the Grants to States program. Because of the significantly lower share per child States receive under the EHA for children aged six years and older and the large number of preschool children presently served under the Chapter 1

Handicapped program, we would expect budget savings to be realized once these preschool children reached aged six. Whether budget savings would actually be realized, however, would depend on a number of additional factors, including the growth in the child count for the Chapter 1 Handicapped program, the extent to which the appropriation for the Chapter 1 Handicapped program is adjusted to reflect any downward adjustments in the program's child count, and increases in the EHA appropriation.

GAO REPORT ON THE CHAPTER 1 HANDICAPPED PROGRAM

Question: The General Accounting Office (GAO) will shortly issue a report on educating children with handicaps under the Education of the Handicapped Act and Chapter 1 programs. Based on discussions with GAO staff, we understand there is no specific guidance in the law or regulations concerning whether a handicapped students should be enrolled in the State-operated Chapter 1 Handicapped program or the Education of the Handicapped Act program. Four States currently account for 47 percent of the total State-operated Chapter 1 program participants and receive over 50 percent of available program funds. To correct this situation, could State-operated Chapter 1 Handicapped program grants be allocated to the States in the same manner as the Education of the Handicapped Act program's $1.5 billion in State grants? That is, on the basis of each State's proportionate share of the Nation's total handicapped children population?

Answer: Changing the formula for calculating Chapter 1 Handicapped State allocations would require a legislative change. Under current law, a State's allocation under both the EHA-Grants to States and the Chapter 1 Handicapped programs is based on its proportionate share of the total number of handicapped children counted annually as served under each program. However, the funding formula for the EHA-Grants to States program is based on the Federal dollar share of the national average per pupil expenditure. Under this program, each State receives the same dollar share per child as all other States. Under the Chapter 1 Handicapped program, however, a State's allocation is calculated on the basis of that State's average per pupil expenditure. Unlike the dollar share per child that States receive under the EHA-Grants to States program, the dollar share per child under the Chapter 1 Handicapped program can vary from State to State. In fiscal year 1988, for example, the dollar share per child for States under the Chapter 1 Handicapped program ranged from a low of $439 to a high of $658.

We believe that funds would be distributed more equitably under the Chapter 1 Handicapped program if, like the EHA-Grants to States program, the dollar share per child were calculated on the basis of the national average per pupil expenditure, rather than on the basis of State average per pupil expenditures. However, distribution of funds under the Chapter 1 Handicapped program through the use of a national average per pupil expenditure would not eliminate the significant difference between the lower dollar share per child that States receive under the EHA-Grants to States program and the higher dollar share that they receive under the Chapter 1 Handicapped program. In fiscal year 1988, for example,

the difference between the national average share per child received under the EHA-Grants to States program and the Chapter 1 Handicapped programs was more than $200.

IMPACT AID

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ELIMINATION OF "B" PAYMENTS

Question: It seems that every year the Administration requests that we terminate funding for Impact Aid B payments, and every year we maintain funding for the program. I will be honest with you. This program is not very important in Iowa. My State receives less than $50,000 in B payments, but there are States that are represented on this Committee that receive more than $5,000,000 a year in B payments.

Has the Department ever considered developing a new proposal for this program that provides adequate funds for the most critically affected school districts without proposing a wholesale termination of these payments?

Answer: The Department has considered other proposals to limit Impact Aid "b" payments. These have included retaining payments for children of military families and those living in low-rent housing and eliminating all other "b" payments. We have also examined the possibility of retaining only payments for children in "Super b" districts (those in which "b" children make up at least 20 percent of the average daily attendance). Recently, we contracted for a study that examined the distribution of Impact Aid to school districts based on size--as measured by enrollment, on wealth--as measured by property valuation per pupil, and on spending--as measured by current operating expenditures per pupil. Although the study revealed some significant differences in the distribution of Impact Aid, we have been unable to obtain sufficient objective data to support a new policy.

Question: Recognizing the fact that the Congress has consistently rejected your proposed termination, can't you develop a budget that would do better by this program while still perhaps saving some money?

Answer: The Congress has given some consideration to terminating "b" payments. The Reconciliation Act of 1981 included provisions to phase out "b" payments over a three-year period; however, Congress later reversed that action. Although the Congress chose not to phase out "b" payments, it did provide for a lower percentage of entitlement to paid for "b" children. The Department is still exploring policy options that would provide for some "b" payments and would be more acceptable to the Congress.

COST OF FINAL SECTION 3(d)(2)(B) PAYMENTS

Question: When this Committee developed its spending plan for the Impact Aid program last year, it did so using cost estimates supplied by the Education Department. Following the enactment of

last year's appropriations bill, the Department radically altered its cost estimates for certain parts of the program, especially payments under Section 3(d)(2)(B). As a result, many school districts that were slated to receive an increase in funding are now being informed that they are likely to get a cut in funding. When does the Department expect to finalize the cost of payments under Section 3(d)(2)(B)?

Answer: Final 1989 Section 3(d)(2)(B) payments will not be known until the spring of 1990, when revenue, expenditure, and tax rate data are available for all 3(d)(2)(B) applicants and their comparable districts. We are attempting to refine our estimate of the amount needed for 3(d)(2)(B) payments by expediting our analysis of FY 1988 entitlements. Overtime, as data become available for each 3(d)(2)(B) applicant, the total will be modified.

Question: When will all this be clarified for the hundreds of other school districts that receive Impact Aid payments?

Answer: The Department held workshops last fall in Washington, D.C. and other cities around the country with representatives from State and local educational agencies to explain the new provisions of the Impact Aid statute and how the program will be operated in FY 1989. School districts have been informed that, unless there is a legislative limit on 3(d)(2)(B) payments, we must continue to reserve $50 million (modified as data on applicants become available) for these payments. The Department has also distributed detailed memoranda to all Impact Aid recipients and their State representatives explaining the Hawkins-Stafford Amendments and the FY 1989 payment process. Staff of the Department are in frequent contact with the National Association of Federally Impacted Schools, which communicates with Impact Aid districts through conferences, workshops, and a newsletter.

Question: Is the Department recommending any legislative remedies to solve the current confusion in the program?

Answer: At the request of authorizing committee staff, the Department has drafted legislative amendments that will address a number of the issues that are disrupting the 1989 payment process. Both Senate and House staff are working on this legislation, and we understand that action will be taken shortly to amend the authorizing statute.

QUESTIONS SUBMITTED BY SENATOR BROCK ADAMS

ACCOUNTING FOR PAYMENTS FOR HANDICAPPED CHILDREN

Question: As part of the reauthorization of the Impact Aid program (P.L. 100-297), changes were made in the funding practices for military and Indian federally connected, special education children. The amendment by Senators Mikulski, Kennedy, and Hatch added language to guarantee that districts serving special education students would receive 100 percent of entitled funds for those

students. The purpose was to help districts provide adequate educational opportunities for these students. This language was widely supported by districts receiving P.L. 81-874 funding, including LEAs in the State of Washington.

However, it is my understanding that regulations are being implemented by your Department pursuant to this change in law in a way that, in fact, penalizes LEAs in some States, such as Washington State, particularly with the application of the so-called "bright line test." It is my understanding that previously, local school districts have been allowed to certify, by budget audits if necessary, that Federal funds for special education had indeed been spent on the district's special education programs. However, pursuant to last year's reauthorization of the program, it is my understanding that the Department of Education has mandated an altogether different method of accounting for these funds--the so-called "bright line test."

The "bright line test" clearly tilts the scales against school districts in States, such as Washington, where the State makes a significant contribution to handicapped education. In Washington State, we take on a much greater role in financing basic local education than in other States. I am deeply concerned about this accounting change and the impact it will have on my school districts in Washington State. I respectfully submit the following questions for your immediate response:

Why are you implementing a standard that penalizes a district for its inability to raise local dollars to enhance special education when, in fact, P.L. 81-874 is supposed to provide funds in lieu of these local tax dollars? Why are you implementing a standard that is contrary to Congressional intent? Please explain in detail your justification under specific provisions of law for this standard. Why are you implementing a standard that results in the denial of maximum educational services to handicapped students who are in the greatest need of these services?

Answer: The notice of proposed rulemaking (NPRM) that was published on March 23, 1989, in the Federal Register and contains guidelines regarding the expenditure of Section 3(d)(2)(C) funds does not create a new standard. Rather it provides clarification of the Department's current practices.

Generally, P.L. 81-874 provides funds that may be used for any locally authorized purpose. However, payments associated with Section 3(d)(2)(C) must, according to Section 5(f) of the statute, be used to support supplementary programs that serve federally connected, handicapped children. Any local educational agency (LEA) that serves federally connected, handicapped students and claims them on its Impact Aid application is eligible to receive Section 3(d)(2)(C) funds. To assure compliance with the law, however, the Department must evaluate whether the LEA actually spent those funds to provide services for federally connected students. For this purpose, the Department has implemented a simple, "bright-line" test.

In the first step of the test, we identify the source of all of an LEA's funds that supported special education programs, including Section 3(d)(2)(C) funds. From that amount, we exclude

Federal Education of the Handicapped Act funds and State supplementary support because those funds may not supplant any other funds. When we divide the number of handicapped students served into the remainder, we arrive at a "local" per pupil amount. We then multiply that amount by the number of federally connected, handicapped students claimed under Section 3(d)(2)(C) and compare the result with the 3(d)(2)(C) payment the LEA received.

If the result obtained in this last calculation is equal to or greater than the LEA's Section 3(d)(2)(C) payment, the LEA has passed the "bright-line" test. If the amount is less, the LEA has failed to demonstrate that it spent its Section 3(d)(2)(C) payment on services for federally connected, handicapped students. It must return the portion of funds that it did not spend for those students. However, before an overpayment is officially established, the LEA is given an opportunity to provide additional information to demonstrate that its expenditures for federally connected, handicapped children actually exceeded the result reached under the "bright-line" test.

We believe that this process is the easiest way for an LEA to demonstrate compliance with the law, thus assuring that these funds are used for the purpose intended by the Congress. Only LEAs that fail to demonstrate that they have expended the funds properly will be requested to return funds.

SCHOOL IMPROVEMENT PROGRAMS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DRUG-FREE SCHOOLS REGIONAL ASSISTANCE CENTERS

Question: As part of the Drug-free Schools Act, we fund five regional assistance centers to help the school districts select curricula that would be most effective for various circumstances and age groups. People in Iowa have told me that the regional center is helpful with urban school districts but has not been very effective with rural districts. What is the Department doing to make sure that the regional assistance centers also develop expertise in assisting rural school districts?

Answer: Under the program regulations for the Regional Centers program, each of the regional centers is required to provide for a balance of services across its region (34 CFR Part 235 Sections 235.1(d)(3) and 235.40(c)). Each State educational agency works with its regional center to assist the Center in determining which school districts are in need of services within the State.

The Department requires each Center to conduct an ongoing assessment of the needs of each State in its region, which includes an individualized State plan for services. These State plans are developed in conjunction with individuals from the State and local level who are representative of the Center's clientele, which would include individuals representing rural communities. Each Center is expected, over time, to expand and refine its understanding of the region's needs for technical assistance, training, and information.

Question: If I surveyed the 433 school districts in Iowa, do you think the majority of them would tell me where their regional center is located and the services they could receive from that center?

Answer: In Iowa, each school district superintendent has been sent information on the Midwest Regional Center and the services that the Center can provide to the school district. Each school district is encouraged to submit a proposal for training services. Proposals are selected based on a range of objective criteria including evidence of need for services and commitment to support drug prevention activities. The Center also takes into consideration the extent to which the funds will be distributed among urban and non-urban schools of varying characteristics such as geographic location, size, ethnic composition, and socioeconomic level.

For example, the Midwest Regional Center has provided services to school districts in Oskaloosa, Parkersburg, Clear Lake, and Charles City, Iowa, as well as Des Moines, Davenport, and Mason City. Additionally, the Center has sponsored statewide training of trainers in Iowa, which enables local participants to bring knowledge and training skills back to their local schools and communities.

ARE THE DRUG EDUCATION DOLLARS SPREAD TOO THIN?

Question: The great majority of funds under the Drug-Free Schools Act are distributed to all the Nation's school districts by formula. In my home state of Iowa we have 433 school districts. Our neighboring state of Nebraska has over 500 school districts. The result is that each of our school districts receives less than $7 per child per year to run a comprehensive drug education program. Are we targeting our drug education dollars in the most effective way here?

Answer: We believe so. These formula grant funds are not expected to be the only resources school districts have available to support drug education. Ideally, Federal funds will supplement State and local efforts to expand and enhance programs. The Department encourages small school districts, which receive less funding under the Drug-Free Schools and Communities Act, to participate in the program through consortia with other school districts so they can share a larger amount of funds in the most cost-effective manner. While, as you point out, the majority of funds under the Act are distributed to the Nation's school districts by formula, a significant amount of funds is also set aside for National programs such as teacher training and demonstration grants, regional centers, and Federal discretionary activities, all of which target certain populations or problems.

RESEARCH ON TEACHER EVALUATIONS

Question: In the report "Building a Better America," President Bush is quoted: "We should provide merit pay and special recognition to reward good teachers—and the vast majority are good teachers, who really love their kids and their profession." I am in

agreement that we should reward good teachers. It seems only logical to reward a teacher who is demonstrating exceptional abilities. However, the whole area of teacher evaluations seems to be a controversial issue governed by opinions and not scientific research. Has the Department taken any steps to research the various types of evaluation processes currently being used?

Answer: The Office of Research supported a major study by the Rand Corporation, Teacher Evaluation, which identified and studied 32 school districts with exemplary evaluation systems, and then conducted intensive case studies in four of the sites. The Rand study is the major research effort in this field.

Question: Are the President's concerns with rewarding superior performance backed up by a method for adequately assessing performance?

Answer: Various methods have been used successfully to identify superior teachers. An example is the Fairfax County, Virginia system, which utilizes teachers as reviewers. Where attempts to reward superior performance have failed, the problem has often been lack of funding, both to support the evaluation and to provide adequate teacher incentives.

Question: Does the Department have any plans for research in the area of teacher evaluation?

Answer: For fiscal year 1990, we have proposed a $200,000 study that would complement the large teacher certification study being supported by the Carnegie Foundation. Our grant would examine how teachers might best acquire the skills and knowledge that would be assessed in professional certification and evaluation systems. The study would also address the relationship between everyday teaching performance and the peak performances that would be required for certification.

For fiscal year 1991, our major focus will be the competition for new research and development centers, which is to begin in 1990, with the first funding for the new centers to be provided in 1991. The Office of Research is currently collecting ideas from the field regarding the critical issues that American education will face in the coming years. While the content areas in which centers will be competed cannot be determined until this information collection is completed and the results analyzed, we certainly expect that teacher evaluation will be identified as one of the critical issues to be considered.

COORDINATION WITH THE DRUG CZAR

Question: It seems to me that the Education Department starts out at an advantage as compared to the other cabinet agencies in participating in a coordinated effort to combat drug abuse. Former Secretary Bennett is now the Drug Czar. He doesn't need to learn for the first time about the Education Department's drug abuse prevention efforts. In fact, Mr. Kolb, your predecessor is also working now with Secretary Bennett in that office. How has the Education Department been involved with the Drug Policy Office to date?

Answer: The Department of Education has been actively involved with the new Office for National Drug Control Policy (ONDCP) since Director Bennett's Senate confirmation. Activities have included:

- o Identifying experts in the field of drug prevention education for meetings with Director Bennett and his senior staff;
- o Participating with other "demand side" departments and agencies in the development of the National Drug Control Strategy;
- o Providing suggestions and information about available resources for the ONDCP's District of Columbia initiative;
- o Planning with ONDCP staff for the creation of the National Commission on Drug-Free Schools authorized in the Anti-Drug Abuse Act of 1988; and
- o Complying with an ONDCP request that the Department continue to convene and chair meetings of the Prevention Education Committee. This Committee is one of the lead agency committees created under the National Drug Policy Board structure. The Committee provides a forum for information sharing and planning among departments and agencies involved in drug prevention education activities.

Question: What meetings have taken place?

Answer: Meetings between individuals representing the Department of Education and the Office of National Drug Control Policy have included:

- o A meeting with Secretary Cavazos and Director Bennett to discuss common areas of interest, including establishment of the National Commission on Drug-Free Schools;
- o A meeting to discuss ONDCP's District of Columbia initiative; and
- o Regular participation in a series of meetings being conducted by ONDCP senior staff to elicit information necessary for creation of the National Drug Control Strategy (at present a series of seven meetings is contemplated).

In addition, the Department has almost daily telephone contact with the ONDCP.

Question: Who is coordinating communications between you and the Office of the Drug Czar?

Answer: Dick Hays, Director of the Department's Drug Abuse Prevention Oversight Staff (in the Office of the Secretary) is responsible for coordinating activities and communication between the Department and the ONDCP.

COMMUNICATIONS ON DRUG ISSUES WITH OTHER AGENCIES

Question: How regular is communication between the Education Department and the other Federal agencies involved in our effort of combating drug abuse?

Answer: The Department is regularly involved with other Federal departments and agencies that support drug prevention activities. On a monthly basis, the Department continues to convene and chair meetings of the Prevention Education Committee on a monthly basis. Additionally, the Department is an active participant in a wide variety of activities with other Federal agencies that require significant and regular communication and cooperation. For example, we provide financial support for the HHS Office of Substance Abuse Prevention's National Clearinghouse for Alcohol and Drug Information, have worked with the National Institute on Drug Abuse to expand the National Household Survey to oversample the 12- to 17- year-old age bracket, and have entered into a memorandum of agreement in support of the National Institute of Justice's Safe Schools Project.

DRUG USE AMONG HIGH SCHOOL STUDENTS

Question: The annual survey of high school seniors indicates that drug use among our high school students has declined for the second year in a row. However, I've seen a number of reports from my home State showing that in communities where we had occasional problems with alcohol and marijuana, we now see critical problems involving crack cocaine. Should we take comfort in these figures? Could it be that while the numbers of students using drugs may be declining, the severity of the problem among those students using drugs is increasing?

Answer: The 1988 National High School Senior Survey results are encouraging. The survey found a decrease in the proportion of seniors who said they had "ever used" each of the 19 drugs included in the survey. There was also a significant reduction in the "current use" figures for every drug included in the survey.

We are also encouraged by the changes in attitude indicated in the survey results. Seniors were more concerned about the negative effects of cocaine, PCP, and marijuana. The study also showed a significant increase in seniors saying their close friends would disapprove if they were to use drugs even once or twice.

Despite these encouraging signs, we have much work to do. The 1988 results indicate that one high school senior in eight tries cocaine before high school graduation. One out of every two students tries an illicit drug before he or she finishes high school. And figures for alcohol use among high school seniors have remained very stable — and unacceptably high.

While the survey provides absolutely critical information, we realize that survey results must be viewed in the context of their limitations. The survey does not reach children who do not graduate from high school. With some metropolitan areas reporting dropout rates of 40 percent or more, a significant portion of our children are simply not included in the survey results. Unfortunately, these children are among those most at risk of drug and alcohol use.

Additionally, the survey is national in character and therefore cannot reflect patterns or rates of drug use in urban areas or specific regions. For example, the survey does not reflect unusually high rates of inhalant use in the Southwest, nor does it identify pockets of high use rates in many of our cities, although such patterns are supported by anecdotal evidence.

ACCOUNTABILITY IN DRUG EDUCATION PROGRAMS

Question: In the last Congress, the Department proposed a number of amendments to enhance accountability in our drug education programs. These amendments called for school districts to report to the Secretary on the extent of drug use in their schools and how Federal funds are being utilized. The amendments also required states to withhold funding from school districts that have not demonstrated success at limiting drug use among their students. Some, but not all, of these amendments were incorporated into the reauthorization of the Drug-Free Schools Act. Does the Administration now believe there is sufficient accountability in the drug education program or do you feel stronger measures are still needed?

Answer: The Administration believes there is now sufficient accountability in the program. Under the amendments enacted, local educational agencies (LEAs) are required to prepare a progress report documenting the extent to which they have achieved their objectives during the first two years of the program. If the State educational agency determines from this report that an LEA is not making reasonable progress, it would be required to provide technical assistance to the LEA. In addition, each State must report every two years to the Secretary describing the drug and alcohol problem in elementary and secondary schools in the State and the types of services provided and populations served with assistance from the Drug-Free Schools program. In the interim years, the State is required to submit a performance and financial status report. While stronger accountability provisions may be considered in the future if these new measures prove to be inadequate, the Administration currently is satisfied with the existing requirements.

MONITORING DRUG PROGRAMS IN THE STATES

Question: Your budget materials argue that "State and local officials are making a good faith effort to implement the best programs possible." How does the Department monitor the efforts States are making with our Federal drug education dollars? Does the Education Department regularly assess these efforts?

Answer: The Department plans to visit a total of 20 States during FY 1989. Fifteen States were visited during FY 1988. During these monitoring visits, Department staff meet with State and local program representatives to gather information regarding program implementation. To date, the following States have been visited: Louisiana, New Mexico, Arkansas, Oklahoma, Michigan, North Dakota, Minnesota, Hawaii, Wyoming, Washington, Virginia, District of Columbia, West Virginia, Maine, Maryland, Ohio, New Hampshire, and Vermont.

Question: Do we leave it to the States to monitor the progress in the local school districts, or does the Education Department regularly evaluate the efforts at the local level?

Answer: The States are required to provide for an annual evaluation of the programs that receive funding under the Act. Local school districts are required to provide information to the State educational agency to assist in completing this evaluation.

Additionally, each local school district must provide the State educational agency with a progress report on the first two fiscal years of the implementation of its plan. The progress report must include a description of the applicant's significant accomplishments and the extent to which the original objectives of the plan are being achieved. If the State educational agency determines that the school district is not making reasonable progress toward accomplishing its objectives, the State educational agency must provide any necessary technical assistance.

At the Federal level, the Department of Education has contracted for a study of the implementation of State and local programs funded by the Act to examine how these programs are being planned, administered, and evaluated. The study will provide descriptive information on such topics as the kinds of programs and services being implemented; the nature of collaborative activities among Governors' offices, State Departments of Education, and State alcohol and drug abuse agencies; and ways to measure the effects of these new programs. The information collected by the study may later be used to design a national evaluation of the program and will be especially useful to State and local school officials in evaluating their own programs. In addition, the Department will provide these officials with technical assistance in evaluation design and methodology. Through our monitoring efforts and other work with officials at the State level, we are working to encourage individual States to conduct studies and surveys that will assist them in evaluating the effectiveness of their programs.

NEW YORK CITY'S APPLICATIONS FOR FORMULA GRANT FUNDS

Question: It was recently reported in the New York Times that the New York State Department of Education is holding more than $100 million for New York City. The money would be due to the city from a number of formula grant programs if they would only bother to apply for them. This pot of money includes funds from the math and science education program, the handicapped education programs, and the Drug-Free Schools Act. Some of these funds were appropriated by this Committee more than two years ago. How long does your Department intend to wait for New York City to get its act together? How long do you normally wait for States to allocate their money before you call the money back? I can think of many school districts in Iowa that can demonstrate good use for these funds tomorrow!

Answer: The New York State Department of Education, not the U.S. Department of Education, is responsible for approving formula grant applications from, and administering such program funds to, the New York City Board of Education (NYCBE). Such funds will automatically lapse to the U.S. Treasury if not obligated and expended within a year after the end of the fiscal year(s) for which the funds are appropriated.

Question: Wouldn't these funds normally be reallocated to other states if New York doesn't use them?

Answer: If New York City doesn't apply for the funds, its allocation may be distributed to other educational agencies (or consortia, if eligible) in New York at the discretion of the New York State Department of Education. Also, if, after consultation with the State, the Secretary determines that the State will not be able to obligate all of the funds allotted to it within two years of allotment, the Secretary may reallot to other States the amount that New York will not be able to obligate.

Question: Does the Department customarily allow States more than two years to allocate their funds for these formula grant programs?

Answer: The FY 1987 Drug-Free Schools and Communities Act funds withheld by the New York State Department of Education represent the first time a State has taken more than two years to allocate their funds for any of these three programs. No, such a delay is not customary. Also, I'm happy to report the NYCBE has recently begun receiving these funds.

ARE DRUG EDUCATION PROGRAMS REACHING SCHOOL DROPOUTS?

Question: One of the amendments to the Drug-Free Schools Act last year extended the reach of the drug education programs to encourage efforts with school dropouts. While we distribute our drug education funding based on student enrollment in school, we all know that a large portion of the problem of drug abuse among youth affects children that have already dropped out of school. What can you tell us about whether school districts have made a more concerted effort to reach school dropouts with their drug education programs?

Answer: The Department does not know to what extent, if any, school districts have increased their efforts to reach school dropouts with their drug education programs since enactment of last year's amendments to the Drug-Free Schools and Communities Act. We continue to encourage development of comprehensive approaches to drug prevention that involve the efforts of parents, schools, students, and communities in the fight against drugs, because comprehensive, community-wide approaches are most likely to be effective and to reach youth both in and out of school. At-risk youth, which include school dropouts, also have been the target of Drug-Free Schools State grant funds reserved for community-based programs administered by the Governor of each State.

OTHER EFFORTS TO REACH SCHOOL DROPOUTS

Question: What other efforts are we making at the Federal level to reach school dropouts?

Answer: The bulk of President Reagan's 1990 budget for elementary and secondary education supports programs that can help prevent children from dropping out of school. In fact, of the $21,910,000 total in his 1990 education budget, $6,449,822 -- almost 30 percent -- was earmarked for such programs. Many of these programs are aimed at improving the quality of education early in childhood, because that is when the groundwork for success in education is laid, and when positive attitudes toward education and its role in life can be formed. But services are also available to secondary school children. Under Chapter 1, for example, during the 1986-87 school year, school districts used Chapter 1 funds to serve more than 1,000,000 students, 22 percent of the total served, in grades 7 through 12.

President Reagan's proposal represents a 3.3 percent increase in Federal programs aiming at dropout prevention, an increase of about $204,786,000. The program specifics are as follows:

	(Dollars in Thousands) 1989	1990
Chapter 1	$4,570,246	$4,721,549
Drug-Free Schools and Communities	354,500	366,553
Magnet Schools	113,620	114,620
Education for Homeless Children and Youth — State Grants	$4,834	$4,998
Training and Advisory Services (CRA-IV)	23,443	23,443
Indian Education	62,955	65,166
Bilingual Education	151,946	157,113
Immigrant and Refugee Education	45,448	46,993
Vocational Education	918,404	949,387
Total	6,245,036	6,449,822

President Bush has also proposed programs that would aid in preventing students from dropping out. These include:

	(Dollars in Thousands) 1989	1990
Presidential Merit Schools	---	$250,000
Drug-Free Schools Urban Emergency Grants	---	25,000
Magnet Schools of Excellence	---	100,000
Education for Homeless Children and Youth -- Exemplary Programs	---	2,500
Total	---	377,500

PARENT INVOLVEMENT IN DRUG EDUCATION PROGRAMS

Question: In his speech before the high school students in Pennsylvania, President Bush warned parents that their children probably know more about drugs than they realize. He also encouraged parents to get as involved as possible in the drug education effort. What do we know about the level of parental involvement in the drug education programs we are funding through the Drug-Free Schools Act? Are there regular procedures to involve parents in the planning of these programs?

Answer: Eighty percent of the money coming to the Department under the Drug-Free Schools and Communities Act is passed on to States and localities as formula grants. The Department is undertaking a major study to determine how these funds are being administered and used. One aspect of that study will be an examination of collaboration among schools, government agencies, and community groups in local drug prevention activities. Information from the study will be available in the fall of 1990.

Since most prevention activities are carried out at the local level, there are no uniform procedures, other than the statute and nonregulatory guidance, that guide the development of programs. The Department, however, strongly endorses the implementation of comprehensive programs that bring together schools, parents, students, and communities to formulate and implement prevention programs. The Department's handbook Schools Without Drugs, for example, outlines a 12-point plan for achieving drug-free schools, seven of which are aimed at what parents, students, and communities can do.

IS THE DRUG PROBLEM IN THE SCHOOLS?

Question: Your budget materials cite the Administration's position that the Drug-Free Schools and Communities Act program is "an essential step in getting drugs out of the Nation's schools." This past December, the results of a nationwide survey were published finding that the problem with drug abuse is not necessarily in the schools themselves but out in the communities. It showed that very, very few students actually used drugs and alcohol at school, but are more likely to be using them at friends' homes, in cars, or out in the community. Do you believe that the drug education programs we have now are focused excessively on ridding the schools themselves of drugs? Are we doing too much to keep drugs outside the school gates while not doing enough toward keeping students away from substance abuse, at home and on the weekends?

Answer: Our experience has shown that comprehensive programs, i.e., those drug prevention and education programs that involve the community, schools, students, and parents, are those that have the best chance of success. Getting drugs out of the schools is, of course, a critical element in our efforts towards a drug-free society.

Recent surveys have found that less use of drugs at school is being reported. We think this is a result, in part, of our efforts to educate today's youth about the dangers of drug use and of schools' efforts to enforce strong policies against drug use. Evidence does suggest, however, that schools continue to be the source of drug purchases and the source of "contacts" for drug buys. So, although we have made strides toward keeping drugs out of schools, our efforts to involve parents and the community in prevention activities are continuing.

DUPLICATION OF DRUG EDUCATION TEACHER TRAINING PROGRAMS

Question: Last year, a new program was implemented as part of the Drug-Free Schools Act to provide training for teachers in the area of drug abuse prevention. Prior to last year, however, we already had a set-aside of funds, within the Drug-Free Schools Act for teacher training and demonstration programs for the same purpose. As far as I could see, both programs are administered competitively at the Federal level. Both programs provide funding to either State or local educational agencies. Are we duplicating our efforts here?

Answer: To some extent, yes. While the two programs certainly complement one another, they do overlap. The principal difference between the programs is that the Drug-Free Schools and Communities Act makes institutions of higher education (IHEs) the only eligible applicants under the program of Training and Demonstration Grants, whereas State, local, and intermediate educational agencies and consortia, as well as IHEs, are eligible for funding under the Educational Personnel Training program.

Question: Is there something distinct about these two programs that I am missing?

Answer: The Department has made some distinctions in the operation of these two programs. For example, regulations and funding priorities established by the Secretary would focus the program of Training and Demonstration Grants on projects that provide for coordinated and collaborative efforts with State educational agencies, local educational agencies, and the Regional Centers for Drug-Free Schools. Under this program, school and non-school personnel including teachers, administrators, guidance counselors, juvenile judges, law enforcement officers, parents, and community leaders would be eligible to receive training. Under the new Educational Personnel Training program, training may include school support staff such as secretaries, playground supervisors, school nurses, cafeteria workers, bus drivers, custodians, teacher aides, and coaches, in addition to teachers, administrators, and guidance counselors.

Also, in the notice inviting applications for funding under the new program, the Secretary stressed interest in training programs that emphasize the involvement and cooperation of the family,

school, and community in drug and alcohol abuse prevention education and invervention, and in programs for educational personnel who work with high-risk youth.

Finally, under the current program of Training and Demonstration Grants, IHEs propose the design and scope of the training to be provided. With the new Educational Personnel Training program, we hope that local educational agencies, intermediate educational agencies, State educational agencies, institutions of higher education, or consortia of these entities will design training programs that are indicative of the specific needs, attitudes, backgrounds, and capabilities of the school district or community.

Question: Would we do better to provide the same level of funding, or more, in one or the other program?

Answer: It is possible that we would do better. The Department will closely monitor the activities funded under the new Educational Personnel Training program to determine if they are substantively different from what has been supported under the IHE program.

Question: Why has the Department continued to request funding in each of these separate programs?

Answer: The Educational Personnel Training program, newly created under the Anti-Drug Abuse Act of 1988, was a reflection of Congressional concern that a lack of trained personnel might be the weak link in drug education. We acknowledged this concern and requested continued funding under the two separate educational personnel development authorities.

TERMINATION OF DROPOUT PREVENTION INITIATIVE

Question: For the last two years, this Committee has financed dropout prevention demonstrations. I'm very proud that the Des Moines school district was a recipient of one of these awards. These demonstration programs were authorized for only two years with the expectation that they would be replaced by a new State grant program in 1990. The concept was that all the States would utilize and benefit from the results of the demonstration programs. I see, however, that while the Department supported funding for the demonstration programs, they are seeking no funding for the State grant program in 1990. Wouldn't we be stopping this initiative dead in its tracks by not funding the State grant programs in 1990?

Answer: Not at all. States and school districts already receive funds from a variety of other programs that can provide services designed to help students do better in school and stay in school. The information gained from this demonstration program will be very useful to educators in deciding how to spend these funds. Under Chapter 1 of ESEA alone, virtually every child eligible for services is at risk of becoming a school dropout. And school

districts receiving Chapter 1 LEA Grant funds devote a substantial part of their Chapter 1 resources to services that improve basic academic skills and address the dropout problem. During the 1986-87 school year (the last year for which actual data are available), school districts served slightly more than one million students in grades 7 through 12 (22 percent of the total served) with their Chapter 1 funds.

Question: Will President Bush's "Merit Schools" program have an equally strong focus on dropout prevention, or will it be focused on a wider variety of factors?

Answer: The Department of Education will develop three Federal criteria that must be used by States in selecting Merit Schools. One of these will relate to progress in reducing dropout rates. However, many other criteria can be related to improving education for potential dropouts, and States will have the option of developing additional dropout-related criteria.

Question: Does the Department still intend to disseminate the results of the dropout demonstration program to the States?

Answer: Yes. The report of the first phase of the study, which will be descriptive, will be available in the Fall of 1989. Following that, the first report from the actual evaluation will be available January 1991. The final report should be completed January 1992.

BILINGUAL, IMMIGRANT, AND REFUGEE EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BILINGUAL FELLOWSHIP REPORT

Question: Last year, the Committee expressed concern about the low rate of participant completions in the bilingual fellowship program, and deferred funding for this activity pending results of a study on the need and effectiveness of this program. What is the status of your work on this study?

Answer: The 1989 appropriations language requires the Department to submit an interim report on the Bilingual Fellowship program no later than 8 months after enactment of the appropriations act. Consequently, the report is due to Congress on May 20, 1989.

The Department is compiling available data on the operation of this program and will submit the report by the due date. In addition, in September 1988 the Department funded a research contract on the supply of and demand for bilingual fellows. This research study is scheduled for completion by April 1990, and its findings will be forwarded to the Committee as soon as they are available.

Question: Why shouldn't we await the results of this study before agreeing to the $5 million expansion of bilingual education projects requested in your FY 1990 budget?

Answer: Depending on the Committee's schedule, it may have the report prior to taking final action on the 1990 request for Bilingual Education. However, the requested increase is for Bilingual Programs (Part A) and does not affect the amount available for the Bilingual Fellows program.

The Department has serious reservations about the effectiveness of the Bilingual Fellowship program. We proposed funding for the program in 1990 because it is mandated by the authorizing statute. We would not object if the Committee decided to delay further implementation until additional research results are available.

REFUGEE EDUCATION

Question: The State Department has increased its 1989 ceiling on refugee admissions upward by 34 percent, but you are asking for only a 3 percent increase in refugee education funds. Have you considered seeking an amended budget request to reflect the latest State Department refugee admissions policy?

Answer: The Department has no plans to amend its budget request for Refugee Education. Based on past experience, the Department assumes that only a small percentage of the new refugees will be school-aged children. Most likely, of the 28,500 admissions, fewer than 6,000 will be children enrolling in the Nation's elementary and secondary schools. Given the fact that eligibility is limited to three years, a significant number of past refugee students will cease to be eligible for these services. Consequently, we do not believe that a higher appropriation is needed.

VOCATIONAL AND ADULT EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

WHY TERMINATE THE MOST POPULAR LITERACY PROGRAM?

Question: Ms. Guiton, one of the first things Mr. Cavazos did as Secretary was highlight, along with President Reagan, the value of partnerships between businesses and schools. Two years ago the Congress initiated a program for workplace literacy partnerships. This program is unique since its funding is limited to partnerships between schools, labor organizations and businesses to provide literacy training in the workplace. Your office was, as you know, flooded with applications. You received almost 11 applications for every award you could give and each application represented a newly established partnership between a school and a labor organization or a business. Why are you asking us to terminate funding for this program? It has been the most popular program you've ever administered.

Answer: The philosophy behind our budget request is to increase the flexibility of States to fashion their adult education programs and to eliminate narrow categorical programs. We believe that the States should have discretion to use available funds for adult education programs to meet their specific needs. For this reason, we are requesting an increase of $24,321,000 for adult

education State programs, an increase of 18 percent over the 1989 appropriated level. This increase exceeds the $11,856,000 appropriated for workplace literacy partnerships in 1989 and will allow this activity to be continued at State discretion. Since there is a strong demand in the business and education communities for this type of program, the States are likely to use some of their State grants to fund workplace literacy activities.

Question: Your budget argues that these activities can be financed through the boost in funding you have proposed for the adult education State grant program. Can you tell me today exactly how much funding under the State grant program goes toward workplace literacy partnerships?

Answer: The States are not required to report how much of their adult education State grants are used for workplace literacy activities. We, therefore, do not have this data.

Question: Does your office have hard data to show that the States will use their increased funding to support partnerships like these, or are they likely to distribute funding to the same established education organizations they have always funded?

Answer: We have no data on this, however, given the strong demand for workplace literacy activities expressed by business, labor, and the education community, we believe that these activities will continue to be carried out by the States.

COORDINATION WITH LOCAL ECONOMIC DEVELOPMENT

Question: Secretary Cavazos has said that your new proposal for reauthorization of the Vocational Education Act will include a new requirement that funded programs be directly linked to State and local economic development plans. You also want to only fund programs that train students for jobs where there are definite job openings, and only then when there are no other job training opportunities available.

I am a strong advocate for the economic development efforts in my State. I think we all want to be sure that students are being trained for jobs that actually exist, not outdated fields where there are no vacancies. But how do you respond to the criticism that a large part of our effort in vocational education is not targeted on training for a specific job but rather is oriented on giving high school students general occupational skills?

Answer: Many vocational programs at the secondary level do focus on providing general occupational skills instead of job-specific training. These programs usually prepare students to go on to specific technical training at the postsecondary level or to become employed in a field in which special technical training is not required. These programs meet the needs of some students and are not the object of our proposal. Instead, our proposed amendment focuses on those occupationally specific programs that train students for non-existent jobs. To eliminate these wasteful programs, our proposal would require States to describe, in their plans, how they will ensure that any funds expended for

occupationally specific training will be used only to train students for occupations in which job openings are projected and are not likely to be filled without the establishment or continuation of public vocational education programs. This new requirement would ensure that Perkins Act funds are not used for outmoded or duplicative programs.

Question: How will you administer this new requirement for programs that are focusing on basic skills and not a specific job? Or do you feel that the funds should be limited only to job training programs?

Answer: We are not suggesting in our proposal that vocational education should be either exclusively basic skills or job training programs. Rather, vocational programs should provide basic skills training in the context of preparing the student for employment. For this reason, we propose that State-determined performance standards for vocational programs should be related to students' improvement in basic skills, their acquisition of occupational competencies, and their success in the labor market.

GAO: FAILURE TO TARGET VOCATIONAL EDUCATION FUNDS

Question: Ms. Guiton, the General Accounting Office recently completed a study on the implementation of the Carl Perkins Vocational Education Act which revealed some disturbing trends. One finding was that, in a number of States, more affluent school districts were receiving a greater share of funds than the more disadvantaged school districts, in spite of the clear intent of the law to target resources to the disadvantaged.

How does the Administration propose to rectify this problem with the targeting of resources to more affluent school districts? Is the Department proposing any legislative remedies as part of its reauthorization proposals for the Perkins Act to address this problem?

Answer: Our reauthorization proposal addresses the provisions of the Perkins Act that have contributed to the failure of the poorer school districts to benefit from Perkins Act funds. We propose to eliminate the within-State allocation formulas for funds used to serve the handicapped and disadvantaged. These formulas have resulted in the allocation of very small grants to most eligible recipients. The deletion of these formulas would permit States to make grants of adequate size for projects in areas of greatest need. Our bill would also eliminate the "excess cost" requirement for services to handicapped and disadvantaged individuals. This requirement has made it difficult for poorer recipients to provide services and would be a disincentive, in a program without set-asides for individual populations, for States to provide services to the handicapped and disadvantaged. In addition, we would require States to describe in their plans how they will use Perkins Act funds to serve economically depressed areas.

The GAO also criticized the Department for approving State plans that included within-State allocations that, while legally permissible under the Perkins Act, violated the spirit of the law by failing to adequately support depressed areas. However, the Perkins

Act requires the Secretary to approve, within 60 days, any plan that is in compliance with the law, thus hindering the Department's ability to negotiate with the States to provide more substantial support for depressed areas. To correct this problem, our proposal would authorize the Secretary to approve State plans only if they are "consistent with the requirements and purposes of the Act." This would give the Department the authority to insist that States adopt more equitable within-State formulas.

Question: The GAO also found that there was no complete and reliable data anywhere on where and how our Federal vocational education funds are being spent. Since this Committee provides roughly $6 million annually to support a National Center for Research on Vocational Education, it is especially disturbing to have the GAO tell us that there is no accurate data anywhere on how the Perkins dollars are being spent. Why hasn't the National Research Center developed such a database?

Answer: The Perkins Act mandate for the National Center for Research in Vocational Education (NCRVE) does not include data collection on the States' use of Federal vocational education funds. NCRVE's mandate includes research on topics of interest to the vocational education field, technical assistance to vocational educators and program administrators, and leadership development in vocational education.

Under the Perkins Act, the National Center for Education Statistics is responsible for developing and maintaining a national vocational education data system. In response to this mandate NCES has implemented a new system called Data on Vocational Education (DOVE). This system relies on data derived from other studies in the Department, so complete data on vocational education are not yet available. NCES is nearing completion of two new publications, Secondary Vocational Education and Non-Vocational Education Teachers and Postsecondary Vocational Education of 1980 High School Seniors: The Two-Year Associate of Arts Degree. Other publications will provide additional information as data become available.

In addition, the National Assessment of Vocational Education (NAVE) has collected data on how the Perkins Act funds are being used by the States. Both the First and Second Interim Reports provided information on State and local operation of vocational education programs, vocational enrollment trends, and how States have administered the Federal funds. Both of these Interim Reports were provided to the Committee at the time of their publication. The NAVE final report will be published shortly and will be provided to the Committee at that time.

Question: I will soon introduce a bill to authorize a grant program for projects that employ the family literacy model to teach reading skills to young children and parenting skills to their parents. Would you support this proposal?

Answer: I would like to review your proposal carefully. The family literacy model may be very effective as a means to educate both parents and their children. I am pleased that Congress recently appropriated funds for the Even Start program under

Chapter 1. We will be evaluating these Even Start projects to assess their effectiveness in breaking the cycle of intergenerational illiteracy. We will examine the results of this evaluation of the family literacy model and then decide whether additional resources should be committed to this approach.

DUPLICATION IN JOB TRAINING PROGRAMS

Question: When this subcommittee held its hearing last month with Secretary of Labor Elizabeth Dole, I expressed my concern over potential duplication and lack of coordination among the approximately 40 job training programs we have throughout the Government. I see that as part of the Administration's reauthorization proposal for the Vocational Education Act, you are proposing a number of changes to improve coordination between vocational education programs and programs funded under the Labor Department's Job Training Partnership Act. What can you tell us about how well the effort at coordination is working now and what additional measures may be necessary?

Answer: While we have been working to improve coordination between vocational education and the Job Training Partnership Act programs, more effort is needed in this area.

The National Center for Research in Vocational Education (NCRVE) is mandated to report annually on joint planning and coordination of programs conducted under the Perkins Act and JTPA. NCRVE has found the level of coordination between JTPA and vocational education to be influenced by many variables, ranging from the extent of autonomy of the State board for vocational education to the personal relationships between the program staff of local schools and the JTPA administrative entities. Agency directors contacted by NCRVE frequently mentioned that joint planning is hindered by lack of coordination. Often, the methods for coordination proposed in the vocational education State plans differ significantly from the coordination criteria listed in the JTPA State plans. Furthermore, coordination varies widely across and within States. Within a single service delivery area, for example, some vocational institutions worked well with JTPA and others have few contacts.

We consulted with the Labor Department in developing our reauthorization proposal so that it would promote better coordination between these programs. Our bill would require States to develop performance standards for vocational education programs and would require that these standards be made consistent with JTPA performance standards. In addition, we would merge the National Council on Vocational Education with the National Commission on Employment Policy in order to eliminate their duplication of functions. The Governors would have the authority to assign the functions of the State council on vocational education to the State job training coordinating council, again preventing a duplication of effort. We would also require the States' labor market analyses conducted under the Perkins Act to be consistent with those carried out under JTPA.

Question: Secretary Dole and Mr. Bob Jones, her Assistant Secretary for Employment and Training, told us that they would be meeting with all the relevant Secretaries and Assistant Secretaries dealing with job training programs to develop a more coordinated Government-wide approach to their efforts. What can you tell us about the Education Department's role in this effort?

Answer: I was very pleased to meet with Assistant Secretary Jones on April 24 to discuss ways that we could improve coordination of our programs. We are both fully committed to continuing this dialogue in the future.

Question: I recently discussed with Secretary Dole my concern, which she shares, that we are headed for a major mismatch of skills in the workforce and skills required by available jobs. Are you aware of this problem and what is the Department of Education doing to amend it? Are we providing the right skills in our training programs?

Answer: We also share your concern that we are not adequately preparing our workforce to meet current and future needs. Vocational education continues to play an important role in resolving this problem. While many vocational education programs offer excellent training for our students, some wasteful programs train students for non-existent jobs. To eliminate these wasteful programs, our proposal would require States to describe in their plans how they will ensure that any funds expended for occupationally specific training will be used only to train students for occupations in which job openings are projected and are not likely to be filled without the establishment or continuation of public vocational education programs. This would help to eliminate the mismatch between skills and available jobs.

EDUCATION FOR THE HANDICAPPED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HANDICAPPED DROPOUT RATE

Question: According to the most recent annual report to Congress on the implementation of the Education of the Handicapped Act, approximately 40 percent of handicapped secondary students leave school without a diploma or a certificate of completion. We all know about the problems that high school dropouts have in obtaining employment. These problems are only exacerbated when the individual is handicapped.

What is being done to address this problem?

Answer: The Secondary and Transitional Services program supports research, demonstrations, and related activities that impact on the high dropout level for handicapped students. Some projects support postsecondary activities that are more likely to encourage students to stay in school, others deal with the problems

of youths who have left school. Our follow-up/follow-along priority helps demonstrate systems that identify the needs of youths who have left school, including those who have dropped out, to determine how curriculum and other program options can be improved.

In addition, projects have been funded to provide preservice training in the area of transitional services, technical assistance to States with regard to transitional services for deaf-blind persons, and innovation and development projects related to dropouts in California and Pennsylvania.

The Department's primary descriptive research effort in this area is being conducted through the longitudinal study funded from the Special Studies budget activity.

GAO AUDIT

Question: The General Accounting Office (GAO) is conducting an audit of Special Education and Rehabilitation programs. From discussions with the GAO, it appears that there is a definite need for better management and long-range planning and coordination. As a matter of fact, when I raised the subject of long-range planning during hearings with the National Council on Disability, I was told that there is no long-range plan for Education of the Handicapped programs, and that the National Institute on Disability Research has not taken action on recommendations made by the National Council on Disability. This is very disturbing to me.

Will you be reviewing the management of these programs and working to develop a comprehensive five-year plan?

Answer: We expect that the management of all programs under the Office of Special Education and Rehabilitative Services (OSERS) will be reviewed by the new Assistant Secretary. We also would expect that this review would take into consideration the findings of the GAO regarding management and long-range planning and coordination. At that time, we will determine whether it would be beneficial to develop a comprehensive five-year plan for OSERS or for each of its components.

There is no requirement that a long-range plan be developed for the Education of the Handicapped programs administered by the Office of Special Education (OSEP) or for the Rehabilitation Services Administration (RSA). Nevertheless, currently OSEP and RSA incorporate, as appropriate, multi-year planning and coordination elements. For example, OSEP monitors State compliance on a three or four-year cycle. Both OSEP and RSA publish biennial priorities for grant awards in discretionary programs.

Unlike OSEP and RSA, the National Institute on Disability and Rehabilitation Research (NIDRR) is required by law to have a long-range plan. The statute requires that the plan be reviewed by NIDRR's Director at least once every three years and revised as necessary. NIDRR completed a long-range plan in 1981, which is still in effect, and is now working to update this plan. NIDRR expects to complete this activity in 1990.

Regarding your comment that NIDRR has not taken action on recommendations made by the National Council on Disability, we believe that NIDRR has appropriately considered all of the Council's recommendations. We do not believe that NIDRR must take action on all recommendations made by the Council. Section 202(c)(1) of the Rehabilitation Act requires that NIDRR's Director be guided by the general policies of the Council. However, the Act states that NIDRR is to be placed in the Department of Education and that NIDRR's Director is responsible to the same Assistant or Deputy Secretary to whom the Commissioner of the Rehabilitation Services Administration is responsible (i.e., the Assistant Secretary for Special Education and Rehabilitative Services, OSERS). On the basis of our review of the Act and its legislative history, we have concluded that NIDRR's Director would be expected to adhere to the broad, overall policies of the Council. Because of the statutory requirement regarding NIDRR's placement, we have also concluded that the policies of the Council would not be legally binding on NIDRR's Director and would not override departmental policies established by the Secretary of Education and the Assistant Secretary of OSERS.

STATUS OF OSEP'S GENERAL EDUCATION AND TRANSITION INITIATIVES

Question: For the last several years, the Department has placed priority on two areas in improving services under the Education for the Handicapped Act, the "general education initiative" that seeks to expand and improve special education and general education services in the regular classroom for children with mild handicaps, and the stimulation and improvement of transition services for handicapped students leaving secondary schools.

What have been the results so far of these initiatives?

Answer: We believe that our priority on the general education initiative has been very successful. We have been able to identify a number of strategies and approaches for educating children with handicaps in the regular education setting through the research projects that we have supported since 1985. In addition, we believe that this priority has stimulated action in several States and local educational agencies (LEAs). For example, 50 LEA model projects have been funded in Michigan to implement various approaches to educating children with handicaps in regular classooms, and strategic planning with the Washington State Principals Association resulted in a statewide system change in service delivery. Furthermore, a number of State educational agencies have provided inservice training to help teachers and other professionals develop the knowledge and skills needed to educate children with handicaps in regular education settings. Finally, as the number of articles published on this topic indicate, the priority has stimulated a great deal of professional interest in educating children with handicaps in the general education setting.

Research and demonstration activities have resulted in the identification of problems in secondary school programs that represent significant barriers to preparing individuals to live and work in their communities. These barriers include limited training options and the lack of interagency cooperation. Model demonstration programs have been developed and implemented to enable

handicapped youths to become better adjusted and suitably employed in their communities, to establish and institutionalize interagency collaborative efforts, and to improve school and community coordination and cooperation. In addition, projects have been funded to provide preservice training in the area of transitional services and technical assistance to States with regard to transitional services for deaf-blind persons.

EDUCATING MILDLY HANDICAPPED CHILDREN IN REGULAR CLASSROOMS

Question: Do we know more about how to educate mildly handicapped children in regular classrooms?

Answer: We know a great deal more about how to educate mildly handicapped children in regular classrooms than we did before the general education initiative was implemented. The research we have supported has provided a number of strategies and approaches, including peer collaboration models; teacher consultation, teacher assistance teams, and co-teaching models; the assessment of classroom management techniques which can prevent unncessary referral to special education and facilitate the delivery of specialized services in the regular classroom setting; and a variety of instructional techniques for accommodating a wide diversity of learning abilities and styles.

NEXT STEPS IN THE GENERAL EDUCATION AND TRANSITION INITIATIVES

Question: What are the next steps in these areas? Should transition services be mandated?

Answer: In 1988, we awarded a 36-month contract to establish a Center for Educating Students with Handicaps in Regular Education Settings. The Center will engage in activities related to the identification, description, documentation, and dissemination of information on educational approaches to serving children with handicaps in the general education setting. The Center will develop and produce, in part, dissemination packages and technical assistance manuals for target groups, including district-level education administrators, building principals, regular classroom teachers, and special education teachers. The Center will also provide technical assistance to organizations with the capacity to assist school districts seeking to implement models for educating students with handicaps in the general education setting, including State education agencies and State and regional resource facilities.

Next steps in the area of transition should include encouraging State and local education agencies to follow up on transitional activities to determine outcomes, developing more postsecondary education and training options, and expanding transition and employment placements before leaving school.

We do not believe that transitional services should be mandated. However, we believe that transitional services should be considered in the development of each child's individualized education program.

UPWARD ADJUSTMENTS IN 1990 FOR PRESCHOOL GRANTS

Question: The Preschool Grants to the States are to expand educational programs to 3-5 year olds. According to the budget justification, you anticipate an increase in the number of children served between 1989 and 1990. Your justification indicates that $36,400,000 will be set-aside for upward adjustments for the December 1, 1989, count on children served.

When will the Department have a better estimate on the actual monies required for fiscal year 1990 to meet the upward adjustment?

Answer: It is very difficult to project accurately the monies required for upward adjustments, since these depend upon differences between the previous year's estimates of children to be served and actual increases. We would expect to have a somewhat better estimate of the extent of the need for upward adjustments in 1990 after we have received data from States regarding the number of children counted as served on December 1, 1988, and their estimates of the additional number expected to be served by December 1, 1989. We believe that the set-aside of $36,400,000 will be sufficient to cover all the upward adjustments that would need to be made in 1990.

1989 UPWARD ADJUSTMENTS FOR PRESCHOOL GRANTS

Question: What is the amount of the upward adjustment for fiscal year 1989?

Answer: We have not yet calculated upward adjustments for fiscal year 1989. Child count data were due from eligible entities on February 1, 1989. However, we are still awaiting some data from a few entities and are now in the process of verifying the data that we have received. Upward adjustments, which require an analysis of both EHA and Chapter 1 data for three through five year olds served in all eligible entities, are one of the calculations used to determine the total 1989 State allocations under the Preschool Grants program. The funds appropriated for 1989 Preschool Grants become available for obligation to the States on July 1.

DATA COLLECTION ON INFANTS AND TODDLERS

Question: Under the Grants for Infants and Families Program $72,205,000 has been requested to assist States in developing and implementing statewide systems of coordinated, comprehensive, multi-disciplinary interagency programs to provide early intervention services to all children from birth to age 2. According to the justification, data on the number of infants served through grants for the Infants and Families program will not be available until the end of fiscal year 1989. The fiscal year 1989 justification said information would be available in fiscal year 1988.

Is there any greater likelihood that the data will be available this time next year?

Answer: We expect to have some data to report next year regarding the number of handicapped children, aged birth through two years, who are being served. To date, 20 States have reported data on the number being served, whereas only eight States reported data

last year. We anticipate that some additional States, but not all, will report data this year. We will not be able to aggregate the State data to produce a valid national total until all States can generate valid data. In order for States to provide valid data, they must first develop their State definitions of "developmental delay" and determine who will be served. The law provides States a four-year phase-in period before their data collection systems must be implemented. We expect that valid State data will be generated for 1991, the end of the phase-in period. Consequently, as more States are able to produce reliable State-level data, we expect to be able to provide improved estimates of the number of children served.

PROBLEMS OF COLLECTING DATA ON INFANTS AND TODDLERS

Question: Why has it proven so difficult to get data on those served?

Answer: When the Education of the Handicapped Amendments of 1986 (EHA) were passed, only five to eight States had comprehensive data systems in place that would enable them to collect data on the number of infants and toddlers served. Some States had data collection systems in place for one of the agencies serving this population (for example, education) but not others. A common problem reported by States was their inability to generate an unduplicated count of infants and toddlers. We expect this problem to be resolved as States complete their development of their statewide systems of early intervention services.

Under Part H of the EHA, States must implement their data collection systems by the fourth year of participation in the Grants for Infants and Toddlers program. Since all States elected to participate in the program when it was first authorized in 1987, we expect that all State data collection systems will be implemented by 1991.

Question: Are the problems of collecting information on this population of handicapped the result of the lack of resources for data collection or are they technical problems related to the nature of the information?

Answer: The problems States have in collecting information on handicapped infants and toddlers vary widely. However, we do not believe that these are technical problems related to the nature of the information. How quickly a State can develop a data collection system on infants and toddlers depends upon a number of factors, including the complexity of the current service delivery system, the number of existing data collection systems, the compatability of existing data collection systems with the data requirements for infants and toddlers, and the resources States have allocated. The costs of developing a data collection system, like the costs of developing other components of the statewide system, differ greatly among States. Therefore, we cannot generalize about the resources that are required to develop data collection systems or determine whether lack of resources for data collection is a problem.

INCREASE FOR THE GRANTS FOR INFANTS AND FAMILIES PROGRAM

Question: Since you have recommended essentially a cost-of-living increase for this program (3.4 percent) does that mean the Department estimates that the number of children served will not increase? If so, why have you make this assumption given that States are in the process of implementing a coordinated system of services for this group of handicapped children?

Answer: Part H of the Education of the Handicapped Act requires that allocations under the Grants for Infants and Families program be based on the number of children, aged birth through two years, in the general population, not on the number of children served. As a result, the Department has made no estimate regarding growth in the number of children to be served under the program.

Part H authorizes funds to be used to develop and implement statewide, comprehensive, coordinated, multidisciplinary, interagency programs of early intervention services for handicapped infants and toddlers and their families. Although States may also use funds for direct services for handicapped infants and toddlers that are not otherwise provided from other public or private sources or to expand and improve on services for handicapped infants and toddlers that are not otherwise available, they are not required to do so. Our budget would assist States in meeting increased costs in developing and implementing their statewide systems.

DEAF-BLIND AND OTHER SEVERELY HANDICAPPED PROJECTS

Question: According to the budget justification, the Department plans to submit a legislative proposal to merge the Deaf-Blind and Severely Handicapped programs because it would provide a base to support projects addressing the joint needs of children with these severe handicapping conditions.

Does the Department have any information on the proportion of deaf-blind children that have additional handicaps, whose needs would be addressed by these joint projects?

Answer: Over 83 percent of children with deaf-blindness have additional handicaps. These conditions are distributed as follows:

Handicapping Condition	Percent
Mental retardation	54
Multi-handicaps	10
Orthopedically impaired	6
Other health impaired	6
Speech impaired	6
Emotionally disturbed	1
Learning disabled	less than 1

Service delivery based on categorizations is is further confounded by varying levels of impairment. Is the child profoundly deaf or mildly hearing impaired? Is the child mildly or severely retarded? Age is also a factor in determining appropriate interventions. Does the child need preschool or transitional

services? Addressing the unique needs of each child requires a system that looks at each child's needs separately and that is open to drawing upon varied areas of expertise to address those needs. This broader approach would be available through the proposed Deaf-Blind and Other Severely Handicapped program.

Question: Please provide separate data on deaf-blind program and project funding for fiscal year 1985 - fiscal year 1990; and the same data for severely disabled programs and projects.

Answer: A summary of funding for Deaf-Blind Projects and Severely Handicapped Projects follows:

Fiscal Year	Deaf-Blind Projects	Severely Handicapped Projects
1985	$15,000,000	$4,300,000
1986	14,355,000	4,785,000
1987	15,000,000	5,300,000
1988	14,361,000	5,361,000
1989	14,189,000	5,297,000

Deaf-Blind and Other Severely Handicapped Projects

1990 Budget Request $19,486,000

SECONDARY AND TRANSITION SERVICES

Question: One of the Department's priorities for the past several years has been the improvement of transition services for handicapped youth. Given the importance the Department has placed on the improvement of these services, why haven't you requested increased appropriations for this program?

Answer: The Secondary and Transitional Services program has focused primarily on demonstration projects to assist the field in improving services to youth with disabilities upon their leaving school. These demonstration projects are not intended to serve large numbers of children but rather to act as models for State and local providers. The current request is sufficient to support this type of model program activity.

Question: Does the Department have any mechanism for coordination of project outcomes and program priorities between this program and the Postsecondary Grant program, particularly since both programs provide funds for demonstrations in the area of job placement and the transition to work?

Answer: The Secondary and Transitional Services and Postsecondary Programs activities are both administered by the Secondary and Transitional Services Branch of the Office of Special Education Programs. A long range plan which includes both programs is being implemented to ensure coordination. Projects supported under both programs are being provided technical assistance by the Transition Institute for Intervention Effectiveness and are included in its program review agenda.

Question: According to the most recent annual report to Congress on implementation of EHA, approximately 40 percent of secondary handicapped students leave school without a diploma or certificate of completion. What percentage of funds under this program are being used for research on this problem?

Answer: Virtually all funds in the Secondary and Transitional Services program support activities that impact on the high dropout level for handicapped students. In 1989 it is expected that 15 percent of the funds under the program will be used for research projects. These projects include support of a secondary and transitional services institute and continuation projects dealing with interpersonal contacts and networks used by handicapped youths in school and in transition to adult life.

In addition, the Innovation and Development program is supporting projects related to dropouts in California and Pennsylvania.

The Department's primary descriptive research effort in this area is being conducted through the longitudinal study funded from the Special Studies budget activity.

Question: What percentage of funds are being used for model or demonstration projects to prevent or ameliorate the dropout problem among handicapped students?

Answer: Virtually all funds in the Secondary and Transitional Services program support activities that impact on the high dropout level for handicapped students. In 1989 it is expected that 85 percent of the funds under the program will be used for model and demonstration projects. Some projects support postsecondary activities that are more likely to encourage students to stay in school, others deal with the problems of youths who have left school. Our follow-up/follow-along projects help demonstrate systems that identify the needs of youths who have left school, including those who have dropped out, to determine how curriculum and other program options can be improved.

Demonstration projects for deaf-blind children are also funded under the Deaf-Blind Projects budget activity.

POSTSECONDARY PROGRAMS

Question: According to the National Clearinghouse on Postsecondary Education for Individuals with Handicaps, the number of full-time freshmen with disabilities tripled in the last seven years. These students tend to be older, less academically prepared, less self-confident, and more dependent on financial aid. Given the increase in these students and their greater needs, why hasn't the Department requested increased funding for model postsecondary programs to provide support services to students with handicaps?

Answer: The purpose of the postsecondary programs is not to be a primary source of student aid, but rather to provide models for service delivery. In 1989, the Department reinforced this role of postsecondary projects by requiring new projects serving deaf students to stimulate and develop model statewide, regional, and national programs to improve access to education.

Question: What proportion of current model program funds go to programs in traditional higher education institutions and what proportion to job-related continuing education settings and programs?

Answer: Current program funds support a total of 34 demonstration projects for students with disabilities. Of these, 94 percent are awarded to higher education institutions, including community colleges and technical institutes, and 68 percent stress education for vocational outcomes.

MEDIA AND CAPTIONING SERVICES

Question: The budget justification does not include an estimate of the amount of funds that will be used to support closed-captioning of television programs in fiscal year 1990. Does the Department anticipate new awards for this purpose?

Answer: The Congressional Justification includes an estimate of $7,100,000 for television closed-captioning activities. However, details were not provided regarding the levels of funding for various specific closed-captioning activities. We are uncertain at this time how these funds will be divided between the actual captioning of television programs, subsidies for closed-caption decoders, and public awareness activities.

Question: Will the level of funding for such projects in fiscal year 1989 be maintained?

Answer: It is estimated that $7,100,000 will be used for closed-captioning activities in 1990 compared with $7,200,000 for 1989.

Question: What proportion of commercial network television programming is currently captioned? What proportion of cable television or of local programming is captioned?

Answer: All prime time, children's, and evening news network programming is captioned on the major networks. By the end of May, two-thirds of the morning news programming will be captioned. In addition, major sporting events and play-offs are captioned on the networks as are news specials. Network programming that is not captioned to any great extent includes day-time television and late night television. All of the major networks reserve significant blocks of time for local programming by affiliates.

Very little cable programming or locally produced programming is captioned except for premium cable channels that show movies that are already captioned. Some of the syndicated programming purchased by local stations is captioned. The amount varies significantly depending on the offerings of individual stations.

DESCRIPTIVE VIDEO SERVICES

Question: There is no doubt but that closed captioning has opened a whole new world to the deaf. Descriptive video services have the potential for doing the same thing for the blind. Has the Department explored funding descriptive video services for the blind? What would be the startup costs for descriptive video services?

Answer: A Descriptive Video Service (DVS) has been developed by WGBH in Boston. There are three primary requirements for this service. First, television stations would have to purchase special equipment to insert the narrative into their stereo service. Second, visually impaired persons would have to purchase stereo televisions or VCRs. Third, continuing support would be required to prepare and insert the narrative descriptions into programs. Because of the demographics of the target population, it is unlikely that such a service would be supported primarily by advertisers. WGBH has estimated that it would cost $375,000 to start up a system and $1,000,000 to fund 5 hours of DVS per week on PBS for one year.

DISCRETIONARY GRANTS

Question: Overall your justification calls for level funding of these discretionary grant programs under the EHA. Given continuing problems uncovered in monitoring EHA compliance and the need to implement new preschool and infant mandates, why haven't additional funds been requested under the appropriate authorities for increased technical assistance activities?

Answer: The Education of the Handicapped Act Amendments of 1986 expanded Preschool Grants funding and established a date by which States must serve all handicapped children ages 3 through 5. It also created the new Grants for Infants and Families program to serve children from birth through age 2. Prior to the enactment of these amendments the Act required that 30 percent of the funds appropriated for the Early Childhood Education program be used for grants to States for planning, developing, and implementing comprehensive systems for serving children birth through age 5. This requirement was removed from the program with the passage of the amendments. However, there was no commensurate reduction in appropriations for the Early Childhood Education budget activity. This freed almost $7,000,000 to use for various early childhood purposes including assistance to States in implementing services under the Preschool Grants and Grants for Infants and Families legislation.

We believe that the level of technical assistance available to the States to aid them in resolving problems identified in the monitoring process is adequate. The issues raised in monitoring are often related more to the ability or willingness of States to address problems rather than a lack of expertise.

Question: Without an increase in funds for technical assistance, how does the Department respond to new needs in substantive areas, such as preschool curricular research, dropout prevention demonstrations?

Answer: The Education of the Handicapped Act Amendments of 1986 expanded Preschool Grants funding and established a date by which States must serve all handicapped children ages 3 through 5. It also created the new Grants for Infants and Families program to serve children from birth through age 2. Prior to the enactment of these amendments the Act required that 30 percent of the funds appropriated for the Early Childhood Education program be used for grants to States for planning, developing, and implementing comprehensive systems for serving children birth through age 5.

This requirement was removed from the program with the passage of the amendments. However, there was no commensurate reduction in appropriations for the Early Childhood Education budget activity. This freed almost $7,000,000 to use for various early childhood purposes including assistance to States in implementing services under the Preschool Grants and Grants for Infants and Families legislation, research, and demonstrations.

Dropout prevention is being addressed primarily through the Secondary and Transitional Services program. We believe that the resources available in this activity combined with those in other program areas are sufficient to address the current need for demonstration projects.

Question: Are there areas of focus that can be phased out because the goals of improvement in practice have been achieved through the discretionary grants program?

Answer: Over the years directed priorities within the discretionary programs have been used to address the changing needs related to the targeted population of the program. Generally as a problem emerges, research or demonstration projects are funded to develop strategies to address the problem. Subsequently outreach or technical assistance projects are used to disseminate effective strategies. As changes occur in practice, program priorities are constantly shifted to focus on other significant problems or emerging needs. For example, projects dealing with individualized education program development were a priority soon after the enactment of the Education for All Handicapped Children Act. More recently, early childhood, transitional services, and least restrictive environment have been areas of focus.

PRESERVICE TRAINING FOR PERSONNEL

Question: What proportion of funds under section 631(a) is currently supporting projects to provide preservice training for personnel in infant and preschool handicapped programs? What proportion of current funds under section 632 are supporting such training?

Answer: About one-third of the $48,158,000 used for personnel training grants under section 631(a) in 1988 was for preservice training of personnel for infant and preschool handicapped programs. We estimate that less than 5 percent of the funds under section 632 address the training of personnel to work with infants and preschoolers.

Question: Given the new mandates for infant and preschool programs under Education of the Handicapped Act and the concomitant need for additional personnel, does the Department anticipate more projects in this area in fiscal year 1990? If not, why not.

Answer: Based on early indications from 1989 competitions and the funding history for 1988, we expect more awards for early intervention and preschool training in 1989 and 1990.

Question: Personnel shortages have been reported consistently each year since implementation of P.L. 94-142. Why hasn't this program been more successful in reducing the shortage of trained personnel in special education?

Answer: It is difficult to assess how successful the program has been in increasing the supply of qualified special education personnel. Program data indicate that approximately 3,000 to 4,000 students annually receive degrees from programs funded under Personnel Development. It is true that personnel shortages persist. However, there is no way of determining what those shortages would have been without the support provided by the Personnel Development program. It should also be noted that not all the grant funds are used for stipends for students. Much of the funding is used to support improvements in existing programs and to build exemplary new programs. These efforts could have the effect of upgrading the quality of the profession without significantly affecting the supply of personnel.

Finally, we should remember that teaching, in general, must compete in the labor pool against a wide range of other occupations, many of which are better paying, less demanding, and less subject to public policy variables that affect working conditions. In addition, teaching children with handicaps is often particularly difficult and emotionally demanding. It is difficult to attract and maintain high quality teachers under these conditions.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: Given the continued shortages, why hasn't the Department requested increased funds for personnel training projects?

Answer: Program data indicate that approximately 3,000 to 4,000 students annually receive degrees from programs funded under Personnel Development. However, we do not know how many of those students would have otherwise entered the field without the assistance of the Personnel Development program. It would be inappropriate to request additional funds to address shortages without a better understanding of how resources under the program can be effectively used for this purpose.

Question: Since as many as 30 percent of special education teachers are not fully certified in some States, should more funds be directed to inservice training to make the teachers already in the field fully qualified?

Answer: We believe that the appropriate role of the Federal funds is to support primarily preservice training of teachers and other personnel who work with children with handicaps. This approach addresses the problem of too many teachers who are not fully certified by helping to provide a supply of graduates who can be fully certified. Although inservice training is supported to a limited degree under the State agency competition, States have the primary responsibility for meeting inservice training needs. Many States devote a significant portion of their Part B funds toward this goal.

Question: Given the length of time between the mandate and completion and publication of the study findings, are special studies the most appropriate vehicle for collecting data of this nature?

Answer: No single methodology will produce the information necessary to fully identify and track personnel needs. In order to be reliable, State reporting systems must include data that are easily quantifiable and readily available. Questions related to recruitment and retention, differences in certification requirements across States, and emergency certificates cannot be adequately addressed through standard data reporting requirements.

Given the relative stability of personnel trends, the time-lags associated with special studies would not seriously affect their usefulness.

REGIONAL RESOURCE CENTERS

Question: Regional Resource Centers provide consultation, technical assistance, and training to State educational agencies and to local education agencies providing special education and early intervention services to children with handicaps. The fiscal year 1990 budget requests $6,338,000 for regional resource centers, the same amount of funds requested in fiscal year 1989 to fund six regional centers and the national coordinating center.

Inasmuch as the Department is not requesting an increase for inflation for the centers and the demand for services will continue to increase due to the early intervention programs, please provide information on what services will be curtailed at each of the six centers and the National Center.

Answer: The regional resource centers are not the only, nor are they the primary, technical assistance provider to States with regard to early intervention programs. In 1990, the we estimate that almost $2,500,000 will be used to support an award to the University of North Carolina to provide assistance to States with regard to early intervention and preschool services for children with handicaps. This award is funded through the Early Childhood Education program where there are ample funds for supporting early intervention technical assistance activities.

Prior to the Education of the Handicapped Act Amendments of 1986, 30 percent of the funds appropriated for the Early Childhood Education program were earmarked for grants to States for planning, developing, and implementing comprehensive systems for serving children birth through age 5. This requirement was removed from the program by the amendments. However, there was no commensurate reduction in appropriations for the Early Childhood Education budget activity. This freed almost $7,000,000 to use for various early childhood purposes including assistance to States in implementing early intervention services.

The regional resource centers would absorb any reductions in real dollars by consolidating meetings that were to be held over the course of the contract period.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TECHNOLOGY ASSISTANCE FOR THE HANDICAPPED

Question: The fiscal year 1990 request for Technology Assistance is $10,650,000, an increase of $5,150,000 over fiscal 1989. Changing technology holds great promise for the disabled; however, that new technology does no good if no one is aware of the special devices that are available. What is being done to ensure that information on these new technologies is being transferred to the user community?

Answer: The statute authorizing the Technology Assistance program requires that States receiving grants under the program must provide an assurance that they will make available to individuals with disabilities and their families or representatives information concerning technology-related assistance. Therefore, the States receiving grants must provide information about technology, including new technology, to the user community. In addition, as required by the statute, the Department will soon be awarding a contract to provide States with information and technical assistance on the development and implementation of consumer-responsive statewide programs of technology-related assistance. We expect that this technical assistance will include current, ongoing information about new technology.

In addition to Technology Assistance program activities, the Office of Special Education and Rehabilitative Services is supporting projects in the Office of Special Education Programs (OSEP), the Rehabilitation Services Administration (RSA), and the National Institute on Disability and Rehabilitation Research (NIDRR) that involve the dissemination of information about technology to users. The Special Education Technology program in OSEP supports the Center for Special Education Technology, operated by the Council for Exceptional Children. This Center provides for a national exchange of information intended to increase the availability, quality, and appropriate use of instructional technology in special education. OSEP is also funding six demonstration models that show how States can improve cooperation among agencies in order to enable individuals with disabilities to have access to technology. We expect the results of these efforts to be used in providing technical assistance to States that are developing statewide systems.

RSA has proposed a new priority under the Special Demonstrations Program that will support projects that will enable persons with disabilities to make better use of assistive technology devices. Applicants for grants under this priority must coordinate with the regional Rehabilitation Engineering Centers (REC) supported by NIDRR. NIDRR is supporting 18 RECs, including an REC on technology transfer. RECs undertake research and demonstration projects of an engineering or technological nature, including the development of new equipment and devices for solving rehabilitation problems. Under the regulations implementing this program, RECs must disseminate their research findings in such a way as to be accessible to persons with disabilities and their families, as well

as to other appropriate individuals, and must provide technical assistance and consultation that is responsive both to service providers and consumers. In addition, NIDRR is supporting a computerized network among Independent Living Centers and a dissemination project aimed at developing the capacities of consumer and parent organizations to assist in technology transfer. NIDRR is also supporting the Trace Center, which, in coooperation with the technology transfer REC, has implemented a technology database that contains over 15,000 devices. This database will be available to more than 100 Independent Living Centers.

EVALUATION OF THE EFFECTIVENESS OF THE TECHNOLOGY ASSISTANCE PROGRAM

Question: When will the Department be able to report on the effectiveness of this program?

Answer: The statute requires that the Department report to the Congress on the results of its national evaluation of the Technology Assistance program by October 1, 1992. We expect to meet this deadline.

COORDINATION OF RESEARCH AND TECHNOLOGY TRANSFER

Question: What is the Department doing to coordinate the various programs on disability and handicapped research and on technology transfer?

Answer: The Interagency Committee on Disability Research (ICDR) is authorized under Title II of the Rehabilitation Act to coordinate research on disability among units in the Department and other Federal agencies. ICDR is chaired by the Director of the National Institute on Disability and Rehabilitation Research. Coordination is accomplished by meetings including representatives of all the participating agencies and by meetings of smaller working groups that coordinate activities in specialized areas of interest. These working groups, in turn, coordinate with other study groups. Working groups also propose studies, projects, and other coordinating efforts that may be facilitated by ICDR or jointly funded in order to coordinate research. Current projects include research efforts on the aging, mental health issues, retarded offenders, and families. In fiscal years 1989-90, new working groups have been or will be formed dealing with research on families of individuals with disabilities and the coordination of relevant research and development programs of the Strategic Defense Initiative Organization in the Department of Defense with rehabilitation research programs in other Federal agencies.

We believe it is essential that all technology programs in the Office of Special Education and Rehabilitative Services (OSERS), whether supported by the Rehabilitation Services Administration (RSA), the National Institute on Disability and Rehabilitation Research (NIDRR), or the Office of Special Education Programs (OSEP) be coordinated. We believe this coordination would greatly strengthen the provision of assistive services and devices to persons of all ages with disabilities. As the new Technology Assistance program evolves, we expect to develop a variety of

mechanisms for ensuring that States are aware of and have access to information provided by all the projects supported by OSERS that deal with technology assistance. Examples of current coordination include:

- The Center for Special Education Technology, which is supported by OSEP's Special Educational Technology program, is bringing together representatives of States to share information about the educational implications of the Technology Assistance program.

- We expect the six demonstration model projects funded by OSEP to be sources of technical assistance to States developing statewide technology assistance programs. These projects include activities such as the development of a statewide information system, training at State and local levels, a loan system for technology devices, and implementation of a Governors' Task Force on Technologies and Disabilities.

- In fiscal year 1989, a new priority under RSA's Special Demonstrations Program will support projects that help persons with disabilities improve their use of assistive technology devices.

STATE GRANTS PROGRAM

Question: The fiscal year 1990 request for the Vocational Rehabilitation Basic State Grants program is $1.4 billion. Vocational rehabilitation can make a difference. For example, in my State of Iowa, in 1988, 13,308 individuals were receiving assistance through the Vocational Rehabilitation State Grants programs. The State estimates that for every dollar invested in rehabilitation, $12.16 is returned. I think you would agree that that is a very good investment.

Answer: Although a twelve fold return would appear to be a good investment, we suspect that Iowa's estimate is flawed. The Department has just completed a study of employment rates and earnings histories of successful rehabilitants. The study matches data generated from the RSA data base for 1975 successful closures with employment data from the Social Services Administration. The analysis indicates that earnings for this group increase in the first few years but gradually decline thereafter. Although post-treatment average earnings do not fall below pre-treatment levels, at least during the eight years under review, they remain very low relative to the general labor force. This pattern appears to hold for both the severely and the non-severely disabled rehabilitants in the group.

This longer term look at the benefits of vocational rehabilitation suggests that the methodology traditionally used by RSA as well as the State agencies to generate benefit-cost ratios may have considerably overstated future earnings. Based on the eight years of recorded data that have been analyzed, we would estimate an average benefit-cost ratio of 2:1. Since the downward trend in the group's earnings does not appear to flatten, it is

possible that earnings would continue to drop to below pre-treatment levels after eight years, further reducing the benefit-cost ratio. In any event, this analysis casts some doubt on the use of benefit-cost ratios to measure the success of the program.

Question: The 1986 amendments to the Rehabilitation Act required States to undertake needs assessments of persons with severe handicaps. How effective have State vocational rehabilitation agencies been in meeting the needs of persons with severe handicaps?

Answer: According to our most recent data collected from the State agencies, severely disabled clients represented 64.5 percent of all cases closed and rehabilitated. The Department is currently involved in developing techniques to improve the validity of the data collected on severely disabled clients from the States as well as designing studies to determine the effectiveness of vocational rehabilitation services for these clients.

The Department is planning to undertake a study to examine, analyze, and evaluate the client assessment policies and processes used by the State Vocational Rehabilitation Agencies throughout the rehabilitation process. This project will be funded over a two-year period. The Department also plans to begin work on a large-scale longitudinal study of a national sample of Vocational Rehabilitation program clients. The first part of the study will examine the process by which clients enter the delivery system, their time in process, and services they received. The latter part of the study will examine and compare economic and non-economic outcomes for individuals with different disabilities. In both instances, data on groups of severely disabled clients will be analyzed to determine the effectiveness of services provided to these groups.

The Department has just completed a study of employment rates and earnings histories of successful rehabilitants whose cases were closed in 1975. The study shows that employment rates increase after treatment but then decline during the post-treatment period, eventually falling below pre-treatment levels. This appears to be true for both the severely and the non-severely disabled rehabilitants, although the decline in employment rates drops more quickly for the severely disabled than for the non-severely disabled. As mentioned previously, the study also shows that earnings increase in the first few years but gradually decline thereafter. Again, the general pattern appears to hold both for the severely and the nonseverely disabled rehabilitants, with the latter earning on average more than the former.

Question: Because in many cases, rehabilitating severely disabled individuals is more costly, what steps are being taken to ensure that the needs of other disabled individuals are not going unmet?

Answer: The Rehabilitation Act requires States to adopt an "order of selection" whereby severely disabled applicants would receive greater priority over other disabled applicants in the event that limited resources prevented serving all eligible applicants. Regulations require that the State plan include and explain the justification for the order of selection to be followed. Only 20

agencies are currently using an order of selection, including 16 general and 4 blind agencies. The Department supports the statutory priority on services to the more severely disabled, who represent a group of disabled individuals who have been traditionally underserved. However, balancing the needs of the severely disabled with other disabled individuals within the constraints of State agency budgets is a State responsibility.

VOCATIONAL REHABILITATION DATA

Question: Under the Vocational Rehabilitation Act, the Federal Government provided over $1.4 billion in basic State grant funds to assist States in providing a range of services to help physically and mentally disabled persons prepare for and engage in meaningful employment.

Data for 1985 indicates that about 65 percent of all closed cases were successful closures (i.e., maintained suitable employment for 60 days) and that 80 percent were in "competitive employment" earning minimum wage or above.

Is more recent data available? Considerable variation between States exist (successful closures range from 45 to 85 percent), please provide State-by-State data.

Answer: The most complete database currently available is 1985. However, more recent data on particular data elements are available, some of which have already been published or are in the process of being finalized for publication. Some of the data only exists as unpublished tabulations.

We are providing to the committee rank orderings of the State rehabilitation rates and competitive employment rates for 1985, which were based on a preliminary analysis of 1985 data. In addition, we are providing rank orderings of State rehabilitation rates for 1986 and 1987, which were included in the annual reports submitted to Congress for those years. We are also providing to the committee a draft copy of a tabulation of the 1988 rehabilitation rates prepared for the 1988 annual report, which has not yet been finalized. Individual State data on client outcomes, particularly competitive placements, are not yet available for 1986 and 1987.

VARIATION IN VOCATIONAL REHABILITATION STATE DATA

Question: To what do you attribute this variation?

Answer: At this point in time, we have no explanation as to why there is such a great variation among the States, nor can we guarantee that the data submitted by the States is accurate.

The results from a Department analysis completed during 1988 suggest extensive year-to-year fluctuations in the data collected from States on such indicators as the number of applicants, acceptances, and successful closures over the past several years. According to the report, the magnitude of the variability is larger than could be expected from ordinary changes in program operations,

clients characteristics, or the continuation of trends. These conclusions call into question the quality of the information being entered by the State agencies into the reporting system and severely limits the use of this information for policy making and caseload projections.

The report observes that the indicators on which the level of variability is smallest are those indicators that have traditionally been scrutinized most, such as the rehabilitation rate. The report provides two different explanations of the phenomena. Because these indicators are considered important in assessing an agency's performance, the report hypothesizes that more effort may be put into the collection and quality control for the data needed to compute these ratios. On the other hand, the relatively small degree in year-to-year variability may indicate efforts made by States to make sure that the data entered place the agency in a positive light.

These findings highlight the need to disaggregate the national figures and find out what is actually happening on the individual State level. The Department is currently in the process of analyzing the 1985 database to rank order States and identify outliers from the national averages and trends. We hope to accelerate the tabulation of more current data to reduce the time lag for future analyses.

Question: While meeting the "suitable employment" criteria of 60 days is noteworthy, what percentage of rehabilitated persons were employed 6 months later? One year later?

Answer: Current regulations require only a 60 day period of employment for a successful closure. Current data collection efforts track employment for only 60 days. Accordingly, we have no data collected on a regular basis that tracks successful employment beyond the 60-day period.

The Department acknowledges the need for longer term data. As stated earlier, the Department completed a study this year in which data generated from the RSA database for 1975 successful closures were matched with employment data from the Social Services Administration (SSA). Data from both systems were compiled on a Data-Link tape. For each client closed during fiscal year 1975, the Data-Link tape contains information on their annual earnings and assistance from 1972 to 1983, their earnings the year prior to VR referral, as well as program data on their personal characteristics, service costs, and program outcomes collected by the VR program.

Our findings indicate certain trends in the employment rate of successful rehabilitants. As mentioned previously, the study shows the employment rates increase after treatment but then decline during the post-treatment period, eventually falling below pre-treatment levels. This appears to be true for both the severely and the non-severely disabled rehabilitants, although the decline in the employment rates drops more quickly for the severely diabled than for the non-severely disabled. The Department plans to work together with SSA to develop data links for future cohorts, including successful closures from 1980 and 1985, in order to further identify and verify these trends.

Question: Over 80 percent of those rehabilitated were in "competitive employment." What types of rehabilitation and training were provided to these individuals? Are some types of rehabilitation and training more effective than others? What types of jobs were these individuals filling?

Answer: The Department is currently in the process of finding answers to these questions. We have started to analyze data collected from State VR Agencies for the fiscal year 1985 program year, the most recently completed database. We are looking at State rankings on various indicators and are examining the relationship between placements into competitive employment and other client and process characteristics to help determine which services are more often associated with this type of successful outcome. Although the results of this study will not be definitive, we do hope to raise questions that can be pursued in future studies.

The Department does plan to begin work on a large-scale longitudinal study of a national sample of vocational rehabilitation program clients. The first part of the study will examine the process by which clients enter the delivery system, their time in process, and the services they receive. The latter part of the study will examine and compare economic and non-economic outcomes for individuals with different disabilities. We hope that by relying on prospective data collection rather than on existing RSA files, we can generate data on heretofore uncollected information that will help to answer your questions as well as serve as a model for improving our current reporting structure.

In addition, the Department plans to complete a study over the next two years on vocational assessment procedures. The purpose of this study is to examine, analyze, and evaluate the client assessment policies and processes used by State vocational rehabilitation agencies throughout the rehabilitation process. This includes the identification of those practices which result in appropriate eligibility determinations as well as the extent to which actual practices result in expeditious progress toward case closure and successful closures. We hope to start the project sometime this year.

We have, however, looked at some of these data on a national level. According to these unpublished statistics, of the cases successfully closed in 1985 where the client has become competitively employed, more than 30 percent of these clients received medical services, about a 20 percent received maintenance payments, about a 20 percent received personal vocational adjustment training, about 20 percent received vocational and/or trade school training, a little more than 10 percent went to college, and less than 10 percent received on-the-job training. These percentages will add to more than 100 percent since these clients tend to receive more than one type of service.

According to the data, these clients were placed into a variety of positions. About 35 percent of the cases were placed into industrial occupations (e.g. construction work); close to 35 percent were placed into service occupations (e.g. food and beverage

preparation); about 15 percent became clerical workers (e.g. typing, filing and stenographic jobs); and close to 15 percent were employed as professionals in the areas of medicine and health, achitecture and engineering, education and various managerial positions.

STATE SUPPORTED EMPLOYMENT GRANTS

Question: The Rehabilitation Act Amendments established a new authority to assist States in developing collaborative programs with public and private nonprofit organizations to provide training and time-limited post-employment activities to the severely disabled to prepare them for supported employment. The budget justification indicates that data is being collected on the number of persons receiving supported employment services and the placement outcomes associated with those services. Do you have any preliminary information on how this program is working? When will this data be available?

Answer: The National Institute on Disability and Rehabilitation Research has recently issued a report on the 27 supported employment statewide demonstration projects funded through the Title III discretionary grants programs. A copy of this report, Emerging Trends in the National Supported Employment Initiative: A Preliminary Analysis of Twenty-Seven States, is being provided to the Committee.

The NIDRR report makes several observations on the extent to which supported employment has been incorporated into the rehabilitation system. First, the number of individuals served by State rehabilitation agencies in supported employment has increased eight-fold in the last two years. Second, many States have developed fee-for-service mechanisms to allow local counselors to purchase supported employment services with Title I case service dollars. Third, and according to the report perhaps the most significant, the amount of Title I case service funds and State rehabilitation funds devoted to supported employment services has rapidly increased.

According to the report, the total amount of Title I expenditures on supported employment services increased from $1,660,488 in fiscal year 1986 up to $12,244,160 in fiscal year 1988. While supported employment is still a small program within the total rehabilitation system, the report concludes that State agencies and local counselors are demonstrating their confidence that supported employment is a viable rehabilitation service for persons with severe disabilities.

We do know from information provided by the regional offices and from site visits to several programs, that State vocational rehabilitation agencies have established collaborative agreements with public and private nonprofit organizations to provide training and extended support services for supported employment clients. There is every indication that individuals with severe handicaps are achieving successful outcomes through supported employment. We are collecting data on 1989 supported employment closures, which should be available early in 1990.

Question: The request for Supported Employment Projects is $9,406,000, the same level of funding requested in fiscal year 1989. How successful have the States been in obtaining ongoing funding for supported employment clients?

Answer: The NIDRR study indicates that the States in which the 27 demonstration programs were operating were able to provide ongoing support services for individuals with mental retardation. In a large majority of States (77 percent), persons with long-term mental illness were also able to access services and secure long-term funding through mental health systems. Extended support services were available in only a small percentage of States for persons with traumatic brain injury (19 percent), cerebral palsy (33 percent), other physcial disabilitites (30 percent), and sensory impairment (19 percent). Frequently cited sources of ongoing support funds include State general revenue funds, local community agency funds, Job Training Partnership Act funds, Medicaid Waiver funds for waiver elibible consumers, special State appropriations for specific groups of individuals, and private funds.

Question: Have you collected any data on the projects that have been funded to determine if these monies are being used in a way to benefit the clientele the program is designed to serve?

Answer: According to the same NIDRR report, numerous concerns have been expressed that supported employment is not serving the individuals it was intended to serve. The report cites a lack of ongoing support services as hindering the participation of a large group of individuals eligible for, and thought to be able to benefit from, supported employment services. Very few individuals with severe or profound mental retardation have participated to date. The report speculates that this low participation rate may be due in part to the shortage of highly skilled personnel and the inadequacies of current service technology. The report also suggests that it may be that supported employment is too new a rehabilitation program to determine who can and who cannot benefit from this service. The report goes on to indicate that many States have initiatives underway to increase the number of individuals with truly severe disabilities participating successfully in supported employment programs.

Question: How many individuals have been served under this program?

Answer: The study collected data on individuals receiving supported employment services in only the 27 States operating statewide demonstration programs. According to the report, 24,817 individuals were reported as supported employment clients.

Question: Do you plan to do a follow-up to determine whether or not those individuals that participated in a supported employment program are still employed a year later or 18 months later?

Answer: The Department does plan to carefully review the findings of the NIDRR report and use the information in developing a data collection instrument capable of generating a database suitable for comparing the different individual grant projects as well as generating basic information on the program as a whole. There are

no plans at this time for a specific evaluation of the supported employment program. This does not preclude the inclusion of supported employment into the study design, as a major service component, of our forthcoming longitudinal study .

Question: To what extent have State vocational rehabilitation agencies been effective in meeting the needs of non-severely handicapped persons?

Answer: As previously mentioned, the results of a recently completed study of employment rates and earnings histories indicates that the benefits of vocational rehabilitation tend to decline over time. This pattern appears to hold for both the severely and the non-severly disabled rehabilitants in the group studied. Rehabilitation rates and benefit-cost ratios have traditionally been used to measure the success of the VR program in meeting the needs of disabled individuals. Our longer term look at the benefits of vocational rehabilitation suggest that these indicators may be in need of further refinement and alone do not measure the overall effectiveness of the program.

The Department is planning to undertake a longitudinal study which will, among other things, examine and compare economic and non-economic outcomes for individuals with different disabilities. Data on groups of severely disabled clients will be compared to data on groups not considered severely disabled in an attempt to determine which services are more effective for which groups of clients.

Question: The justification indicates extensive year-to-year fluctuations in the Vocational Rehabilitation program data received from the States. What action is being taken to improve the data collection system?

Answer: The Department is currently in the process of initiating a project that will include as one of its major components the evaluation and full documentation of the weaknesses or deficiencies in the State data submissions and/or the processing of those submissions. We anticipate that this task will take at least two years, allowing for a period of familiarization, analysis, diagnosis, and consultation in order to produce carefully considered practical recommendations for improving the RSA reporting systems.

Question: What quality assurance mechanisms are in place to monitor the quality of the grants to Indian tribes for vocational rehabilitation services?

Answer: The quality of vocational rehabilitation service grants to Indian tribes is monitored through (1) telephone monitoring calls by the RSA program officers assigned to these projects, (2) project officer reviews of continuation applications which report grantee progress in meeting project objectives and plans for the new budget period, (3) grantee site visits by RSA regional staff members assigned responsibilities for the Indian program, (4) regional and central office meetings with project directors, and (5) technical assistance and inservice training provided by the two Indian Research and Training Centers supported by the National Institute on Disability and Rehabilitation Research.

Question: Inasmuch as we are dealing with the severely disabled, many of these clients require ongoing support to maintain employment. What is the average period of time that supported employment clients are served?

Answer: The regulations implementing the supported employment program provide for time-limited post-employment services to individuals who have severe handicaps for a period not to exceed 18 months. Once this period has ended, the State agency must arrange for "extended services" provided by other appropriate State agencies, private nonprofit organizations, or "other sources" for the duration of that employment.

The Department is currently in the process of collecting information from the first circulation of a data instrument specifically designed to collect data on supported employment. This information will be limited to data on whether the client's case was at any time classified as supported employment and, if so, whether he or she received services paid for with funds appropriated from the Title VI-C supported employment formula grant, and whether this case meets all or only some of the criteria for a supported employment outcome. Although the data instrument will include information on the length of time a client received vocational rehabilitation services, it will not specify the amount of time the case was classified as supported employment, nor will it specify the amount of time a client remains in a supported employment placement after the case is closed.

STATE GRANT PROGRAM/CLIENT ASSISTANCE

Question: Funding for Client Assistance programs is provided through Grants to States to establish ombudsmen activities to assist clients and client applicants of the Vocational Rehabilitation State Grants program to understand the services available to them. Your justification indicates that 50,600 individuals will be served in fiscal year 1990. Inasmuch as your justification indicates that data collection has not been submitted on a timely basis and has been of dubious quality, on what do you base your projections?

Answer: The 1989 and 1990 estimates of persons served are the same as the estimate for 1988, which reflected projections based on clients served in 1986 and 1987 and six months of data collected on clients served in 1988. The funding provided in 1989 and requested in 1990 for this program is an amount sufficient to maintain current services. Barring any major changes in program policy or population demographics, we anticipate at least the same number of persons will be provided services in 1989 and 1990 as in 1988.

Question: Aside from the numbers served under this program, what is being done to ensure that the individuals served under this program are in fact, being given the type of assistance provided under the law, and to determine if the Client Assistance Program is operating independently of the State vocational rehabilitation agency?

Answer: The 1984 amendments to the Rehabilitation Act required a comprehensive evaluation of the Client Assistance Program (CAP).

The legislation further required the use of evaluation standards for the study, that certain data be collected for the evaluation, and that specific service delivery comparisons be made. This report was completed in 1986 and submitted to Congress.

The study included a comparison of programs operated by internal (i.e., Vocational Rehabilitation) and external agencies (e.g., protection and advocacy agencies or other independent organizations). Although the law requires the Governor to designate an agency which is independent of the State VR agency, it does allow a CAP to be administered by VR agencies if they had been operating the program prior to 1984. Currently, 39 States and Territories operate their programs in agencies independent of any agency providing services under the Act; 20 programs are administered by VR agencies.

The study findings indicate that there are strengths in both types of operating agencies. The report recommended, however, that the designation of internal or external operation of the CAP may warrant futher examination within three years. The Department's current efforts toward improving the quality of data collected from these programs is the first step toward improving accountability in the program as well as tracking any tendencies exhibited by internal or external agencies to fail to act in the best interests of their clients. Client assistance programs are also being included in RSA's monitoring activities. Results from these reviews will help us to determine the kind and extent of coverage.

SPECIAL DEMONSTRATION PROJECTS

Question: You have requested $16,944,000 for Special Demonstration Projects in fiscal year 1990, and indicated in your justification that $7,752,000 will be used to fund new projects for priorities established for 1990. Your justification further indicates that this funding will be derived from discontinuing 10 statewide supported employment grants and 30 special demonstration grants initiated in previous years. Do those new priorities include demonstrations relating to technology assistance?

Answer: The Department is currently preparing final funding priorities for this program. Proposed priorities were published in the Federal Register last February for both 1989 and 1990, and we are now reviewing public comments. One of the priorities proposed by the Department would provide funding for demonstration models relating to rehabilitative technology services. A copy of the Notice of Proposed Rule Making is being provided to the Committee.

Question: What are your priorities for fiscal year 1990?

Answer: The Department is proposing two priorities for both 1989 and 1990. The first priority solicits proposals regarding rehabilitation technology services and models which can be used to facilitate their use by the disabled community. The second priority solicits proposals regarding innovative strategies to promote vocational and independent living outcomes of severely disabled individuals.

SPINAL CORD INJURY CENTERS

Question: How many spinal cord injury centers do you plan on funding in fiscal year 1990?

Answer: The National Institute for Disability and Rehabilitation Research expects to fund 13 spinal cord injury centers in 1990, the same number funded in 1989.

MIGRATORY WORKERS

Question: The budget requests $1,087,000 under Service and Demonstration Projects, for the Migrant Workers Program. Has the Department done any assessment of this program to determine its effectiveness?

Answer: The Department completed an extensive evaluation in 1987 of the services provided to migrant workers. According to the report, traditional measures of program impact do not adequately capture the benefits of vocational rehabilitation services to migrant and seasonable farmworkers (MSFWs). The major impact of VR services seems to lie, according to the report, in the quality of the post-program job as measured by job stability and client satisfaction. Rehabilitated MSFWs surveyed by the study were more satisfied with their jobs than non-rehabiliated clients or those not accepted for service, and they expected their jobs to last longer. Although there are State-by-State variations in post-program employment due to differences in program design, local labor market conditions, and composition of the farmworker population, the report estimates that between 35 percent and 60 percent of MSFW clients return to farmwork after receiving rehabilitation services.

The study also observed that clients were generally very satisfied with the services they received. From the client perspective, the most important benefit of the VR program was receipt of medical services, although counseling was also felt to be an important and valuable service. Few of the respondents felt that increased employability was a major program benefit. The evidence suggests, according to the report, the possibility of long-term benefits, such as decreased seasonability of employment and greater job satisfaction, as a result of participating in these programs.

Question: Once Federal funding is discontinued, are the programs initiated with these demonstration monies continuing?

Answer: According to the study, there is a wide State-by-State variation in how VR agencies use these monies. Federal funds have been used to support counseling staff to serve MSFWs, for purchase of case services for MSFWs, or both. In some of the States, these monies were being used to extend the agencies' capabilities to serve MSFWs in a new geographical area. In other States, funding was used to continue service in existing areas, in some cases combined with efforts to upgrade service. In those States where there are large populations of migrant and seasonal farm workers, the VR agencies continue to provide these services after their grants expire.

PROJECTS WITH INDUSTRY

Question: The Projects with Industry program provides disabled persons with training and experience in realistic work settings to prepare them for employment in the competitive labor market. Iowa has one Project with Industry in Des Moines -- Work Resources, Inc. During the last reporting period, that project served 104 persons with disabilities; 60 percent were severely disabled. The placement rate for Work Resources, Inc., was 81 percent and the average earnings for persons placed was over $175 per week. Considering these individuals had no income or were receiving SSI or Social Security Disability benefits, I would say that this is a good return. The fiscal year 1990 budget requests $17,142,000 for this program to fund a total of 138 projects, 23 more projects that fiscal year 1989. Is funding being reduced for the continuation grants, and if not, how is the Department planning on funding 23 new grants with no increase in funding?

Answer: The 1986 Amendments to the Rehabilitation Act require the Department to reserve for continuation grants in 1990 an amount equivalent to 80 percent of the funds appropriated in 1989 for the Projects with Industry program. The 1986 Amendments also require the Department to develop and use minimum performance standards in making determinations for continuation funding in 1990. Our budget proposal requests the same amount of funding for the program in 1990 as the amount appropriated for 1989.

Should all 115 existing projects qualify for continuation funding, then it is possible that, under our budget proposal, no additional funds would be used for new projects. On the other hand, should only 80 percent of the existing projects qualify for continuation funding, then 20 percent, or $3,428,000, would be available for new projects. That amount could fund 23 projects with an average grant of approximately $150,000.

Our current reading of the law would prohibit using any more than 20 percent of the funding requested for 1990 to fund new projects. In the event that less than 80 percent of the existing projects qualify for continuation funding, the funding differential could not be used to fund new projects without specific statutory authorization.

HELEN KELLER NATIONAL CENTER

Question: The fiscal year 1990 budget request for the Helen Keller National Center is $4,841,000; the same level of funding provided in fiscal year 1989. Concern has been expressed that the requested funding will not cover the cost of inflation nor keep pace with wage requirements. It is my understanding that the three-year bargaining agreement will expire on June 30, 1989, and that the Center will be entering negotiations with the union (which represents about 65 percent of staff). Did the Department take these negotiations into consideration when submitting its budget request for the Center?

Answer: The Department is aware that the three-year bargaining agreement will expire June 30, 1989, and that the Center will be entering negotiations with the union for a new contract. We believe that it is encumbent on the Center to consider the funds available,

i.e., the 1989 Federal appropriation, the request for 1990, and anticipated revenue from other sources, in negotiating with its employees. The Federal appropriation cannot be predicated on negotiations over which we have no control. We, therefore, would expect that any negotiated increase would be financed from other sources of revenue. For example, the basic fee schedule for charges to States referring clients was negotiated 18 years ago and has been relatively level since. These charges are low and are one potential source for additional revenue.

Question: Does the Department plan to monitor the outcome of these negotiations and submit a request for additional funding to provide compensation for additional staff costs?

Answer: The Department is not planning to request supplemental funding at this time. The request for the Helen Keller Center is consistent with overall budget policy for rehabilitation programs. We feel that level funding should provide sufficient funds to maintain client services at the Helen Keller National Center. The Department will work with the Center to determine cost-cutting measures and develop a program of managed savings if such such measures are indicated during the course of the fiscal year.

INDEPENDENT LIVING

Question: The fiscal year 1990 budget requests a total of $44,297,000 for Independent Living programs. Although an increase is proposed for Comprehensive Services for Independent Living (Part A), no increases are proposed for Centers for Independent Living (Part B) or for Independent Living Services for Older Blind Individuals (Part C). Your justification indicates that the number of centers and grantees will increase under Part B. Inasmuch as you have requested no increase in funding for this program, how are you planning to increase the number of grantees and centers?

Answer: The 1986 Amendments to the Rehabilitation Act require the Department to reserve for continuation grants in 1990 an amount equivalent to 90 percent of the funds appropriated for the Part B Centers for Independent Living program in 1989. The 1986 Amendments also require the Department to develop and use minimum performance standards in making determinations for continuation funding under this program in 1990. It was anticipated at the time of the amendments that the use of the indicators would result in the elimination of a certain number of current grantees.

If all 141 existing grantees qualify for continuation funding, it is possible that no funds would be used for new projects. However, if only 90 percent of the existing projects qualify for continuation funding, then 10 percent or $2,568,800 would be available for new projects. That amount would fund approximately 19 projects with an average grant of approximately $200,000.

Our current reading of the law would prohibit using any more than 10 percent of the funding requested for 1990 to fund new projects. In the event that less than 90 percent of the existing projects qualify for continuation funding, the funding differential could not be used to fund new projects without specific statutory authorization.

NATIONAL INSTITUTE ON DISABILITY AND REHABILITATION RESEARCH

Question: In FY 1990, $52,883,000 is requested for the National Institute on Disability and Rehabilitation Research, the same level of funding provided in fiscal year 1989. I note in the budget justification that one of the major efforts to be undertaken by NIDRR in fiscal year 1990 is the update of the long-range plan. As you know, the National Council on Disability is mandated by law to establish general policies for NIDRR. I was amazed to learn that NIDRR has no long-range plan to update, contrary to the statement in the budget justification. Let me point out that there is a statute on the books directing the National Council on Disability to establish general policies for NIDRR. Could I have your assurances that the law will be followed?

Answer: We believe that we have been following the law, and we will continue to do so. Section 202(c)(1) of the Rehabilitation Act requires that the Director of NIDRR be guided by the general policies of the Council. The Act states that NIDRR is to be placed in the Department of Education and that the Director of NIDRR is responsible to the same Assistant or Deputy Secretary to whom the Commissioner of the Rehabilitation Services Administration is responsible (i.e., the Assistant Secretary for Special Education and Rehabilitative Services). On the basis of our review of the Act and its legislative history, we have concluded that the Director of NIDRR would be expected to adhere to the broad, overall policies of the Council. However, because of the statutory requirement regarding the placement of NIDRR, the policies of the Council would not be legally binding on the Director and would not override Departmental policies established by the Secretary of Education and the Assistant Secretary. We have concluded that, although the Director may be guided by the Council's general policies, the Director retains authority and responsibility (under the Secretary's and Assistant Secretary's supervision) for specific program policies and initiatives, research efforts, and educational programs, as well as the management of NIDRR.

Regarding the long-range plan, NIDRR developed a long-range plan in 1981, which is still in effect. It is this plan that NIDRR will update in 1990.

MODEL TRANSITION GRANTS

Question: Last year, $469,000 was appropriated for Model Transition Grants to provide services to severely disabled youth in their transition from educational or other institutional settings to independence. The fiscal year 1990 budget eliminates funding for this program, stating that these activities can be carried out under Secondary and Transitional Services under the Education of the Handicapped Act. If you are proposing that these activities be carried out under the Education of the Handicapped Act, why are no additional funds requested for this purpose under EHA?

Answer: The funding level for transitional services under discretionary programs within the Education for the Handicapped appropriation is already sufficient to address needs in this area. Below is a summary of fiscal year 1989 activities that are specifically targeted on transition activities:

Secondary and Transitional Services	$7,284,000
Postsecondary Programs	5,770,000
Recruitment and Information Clearinghouses	283,000
Deaf-Blind Projects	1,074,000
Special Education Personnel Development	2,593,000

In addition, many other projects include transitional services

EFFORTS TO DEREGULATE THE VOCATIONAL REHABILITATION PROGRAM

Question: The Department of Education is renewing regulations to "reduce the regulatory burden" of the State Vocational Rehabilitation program. Can you provide assurances to the Congress that this effort to "deregulate" is not one to weaken or undermine the rehabilitation program?

Answer: The revisions currently being drafted by the Department to the existing regulations do not constitute an effort to weaken or undermine the rehabilitation program. They are intended to reduce regulatory burden on State agencies and place greater administrative discretion at State and local levels. The proposed regulations would remove or reduce State plan, paperwork, and reporting requirements not mandated by statute, would clarify program eligibility standards and the nature and scope of certain vocational rehabilitation services through more precise definitions, and would generally simplify and condense program regulations.

Question: Will the appropriate Committees be provided drafts of proposed regulations being developed as a part of this effort, prior to their publication in the Federal Register?

Answer: The Department is currently in the process of completing the Notice of Proposed Rule Making (NPRM), which will be sent to the Office of Management and Budget for clearance. We would be happy to provide copies of the NPRM as soon as the package is cleared for publication. We will be accepting comments and recommendations during the public comment period following its publication.

EVALUATION PROGRAM AUTHORIZED UNDER THE REHABILITATION ACT

Question: The Rehabilitation Act Amendments of 1986 transferred from the Secretary of Education to the Commissioner of the Rehabilitation Services Administration (RSA) the authority to evaluate all programs authorized by the Rehabilitation Act. This provision was part of the Senate's reauthorization measure.

What office in the Department of Education administers, and has management authority over, the evaluation activities funded under section 14 of the Rehabilitation Act?

Answer: Under Section 3(a) of the Act, the functions of the Commissioner cannot be delegated to any individual who is not directly responsible to the Commissioner. Therefore, basic decisions concerning implementation of the evaluation authority would have to be made by RSA, and RSA would be accountable for these decisions.

At the same time, Section 3(a) provides that in carrying out functions of the Office of the Commissioner, the Commissioner is directly responsible to the Secretary or the Under Secretary or the Assistant Secretary for Special Education and Rehabilitative Services. Therefore, each of these officers exercises a supervisory role over the Commissioner's conduct of his/her evaluation responsibilities.

Question: What is the role of the RSA in the administration of these activities?

Answer: As stated above, basic decisions concerning implementation of the evaluation authority are made by RSA, and RSA is accountable for these decisions.

Question: What is the role of the Office of Planning, Budget and Evaluation in the administration of these activities?

Answer: Nothing in Section 14 of the Act precludes the Office of Planning, Budget, and Evaluation (OPBE) and other offices within the Department from providing advice or assistance to the Commissioner on behalf of the Secretary, the Under Secretary or the Assistant Secretary in carrying out his/her evaluation responsibilities, including the selection of evaluation topics, the development of evaluation designs, preparation of statements of work, and the administration of evaluation contracts.

The Deputy Under Secretary for Planning, Budget and Evaluation serves as the principal advisor to the Secretary on all matters related to Departmental program plans and budget. In addition, OPBE has responsibility for overseeing the development and implementation of evaluation plans Departmentwide. This includes responsibility for working with program offices to develop an evaluation agenda and reviewing and clearing individual work statements for the studies. Occasionally, the Planning and Evaluation Service (PES) in OPBE directly carries out evaluation activities when a determination has been made that PES has special expertise in the area to be studied or where it is essential for the integrity of the study to have it carried out by an independent office.

SUBCOMMITTEE RECESS

Senator HARKIN. Do any of you have anything else that you want to bring to my attention?

Mr. KOLB. No, sir.

Senator HARKIN. If not, then the subcommittee will stand in recess until Friday morning.

Mr. KOLB. Thank you very much, Mr. Chairman.

Senator HARKIN. Thank you, Mr. Kolb.

[Whereupon, at 4 p.m., Tuesday, April 4, the subcommittee was recessed, to reconvene at 9:30 a.m., Friday, April 7.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

FRIDAY, APRIL 7, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Burdick, and Bumpers.

DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JAMES B. THOMAS, JR., INSPECTOR GENERAL

ACCOMPANIED BY:

JOHN L. HORN, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATION SERVICES, DEPARTMENT OF EDUCATION

MITCHELL L. LAINE, ASSISTANT INSPECTOR GENERAL FOR AUDIT SERVICES, DEPARTMENT OF EDUCATION

OPENING REMARKS

Senator HARKIN. The subcommittee on Labor, Health and Human Services, and Education, and Related Agencies will come to order. I want to welcome you to the committee's third and last regularly scheduled hearing with the Department of Education.

This morning will focus on the Student Financial Assistance and Higher Education Programs. On Tuesday of this week we had a discussion with Secretary Cavazos regarding the guaranteed student loan default rate which the Department estimates will cost over $1.9 billion in 1990.

Let me just point out that dollars that go to pay for defaulted student loans now represent the third largest education program after Pell grants and chapter I. This is a gross waste of taxpayers' dollars. If we can start solving the default problem, hopefully we can reinvest these dollars in more productive education programs.

It is difficult to discuss the default rate problem and a solution to that problem without also discussing and understanding proprietary schools. These schools, on average, have default rates of 36 percent compared to 21 percent for 2-year public schools and 8 percent for 4-year private schools; 57 percent of the schools with de-

93-211 O - 90 - 27

fault rates over 20 percent are proprietary schools and 75 percent of the schools with the default rates over 50 percent are proprietary schools.

While the highest default rates tend to be associated with the proprietary schools, many schools in this category have very low default rates, even schools that enroll primarily low income students.

Many proprietary schools are doing an excellent job of educating disadvantaged students and placing them in the work force. But these frightening default figures, along with recent highly critical reports by the New York Board of Regents, the Wall Street Journal, and others, indicate that there is something definitely broken in the proprietary sector. We need to find out what that is and fix it.

We need to reduce the default rate in the other higher education sectors as well. We need to recapture these lost student loan default dollars for reinvestment in other education programs.

Unfortunately, some schools have abused our student aid programs. Others have crossed over the line and are engaged in outright fraud.

This morning we will hear about such cases of fraud occurring at some of our proprietary schools. Not only is the Government being defrauded in these cases, but so are many disadvantaged students. Defrauded of their time, defrauded of promised employment, and saddled with the student loan to repay. Certainly not a good bargain for anyone.

PREPARED STATEMENT

Our first witness this morning will be Mr. James Thomas, the inspector general of the Department of Education. Mr. Thomas, your full statement will be included in the record, and I would appreciate it if you could please proceed with a summary of your remarks.

[The statement follows:]

STATEMENT OF JAMES B. THOMAS, JR.

Thank you for the opportunity to discuss our fiscal year 1990 budget request for Salaries and Expenses of the Office of the Inspector General.

The Office of the Inspector General (OIG) was established to promote economy and efficiency and to detect fraud, waste and abuse in Federal education activities. We have the authority to inquire into all programs and administrative activities of the Department as well as related activities of all parties performing under contracts, grants and other agreements with the Department. We play a key role in the Department's efforts to reduce defaults and other abuses in the student aid programs. These efforts have involved a significant refocusing of resources to issues related to these programs, including increased audit and investigation of owners, officers, and employees of institutions participating in the programs, and to issue areas which could result in recommendations for changes in law or regulations governing student aid programs.

FY 1990 Request

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs. The 1990 budget level for those programs is subject to negotiation between the Administration and the Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they were the Bush proposals.

For 1990, $22 million, supporting 330 FTE, is requested--an increase of $3.8 million above the 1989 budget and 34 FTE above the expected usage in 1989. Of the total requested, 71 percent is needed for employee salaries and benefits, 8 percent for fixed costs such as rent, telecommunications and mail, 6 percent for travel, 5 percent for audit contracts, and the remaining 10 percent for other contracts, supplies, printing, and ADP services and equipment.

Of the requested net increase of $3.8 million, 5 percent reflects the combined full-year effect of the January 1989 pay raise of 4.1 percent, other salary increases, employee retirement costs, and other employee benefits. Another 36 percent represents the costs of an additional 34 FTE.

Although the 1989 employment ceiling stands at 320 FTE, we do not expect our usage level to rise above 296 FTE due to budget constraints. For 1990, an increase of 34 FTE above the 1989 usage level is necessary in orde to increase investigative and audit emphasis on recipients of Department funds who are involved in defrauding and abusing the student aid programs. More specifically, additional staff will investigate allegations of organized, large-dollar, multi-student loan and grant fraud perpetuated by "student" beneficiaries, and will audit and investigate alleged schemes involving proprietary schools.

Another 31 percent of the total increase will allow us to contract with independent public accountants to perform closeout

audits on contracts and audits of indirect costs allocations made by State educational and vocational rehabilitation agencies.

ADP equipment purchases and services account for another 15 percent of the increase.

The remaining 12 percent will provide travel funds for the new staff, and increase travel funds for current staff to cover the extensive on-site time required for proprietary schools audits and investigations.

Fiscal Year 1988 Accomplishments

In FY 1988, we issued or processed 5,924 audit reports. Of these reports, 114 were prepared by Department OIG auditors and 5,810 were prepared by non-Federal auditors as required by the Single Audit Act of 1984 and the Higher Education Act of 1965. The audit reports contained recommendations for cost disallowances and other audit recoveries of approximately $94 million. They questioned costs of another $269 million. In addition, they contained recommendations for improving management and program procedures which, if implemented, would result in more efficient or effective use of approximately $399 million in program and administrative funds. Although the majority of the issued audits were performed by non-Federal auditors, the audits performed by Department OIG auditors contained most of the findings. The reports prepared by OIG contained total findings of approximately $663 million, compared to about $99 million in findings in the audit reports prepared by non-Federal auditors. Actual recoveries from audit efforts totaled $35 million, a 2:1 return on the total OIG budget. In addition, $124 million in recommendations for more efficient use of funds was sustained by program management, a 7:1 return on the total OIG budget, making the combined ratio 9:1.

In FY 1988, 330 investigations were completed. During this period, OIG investigations led to 186 indictments and 100 convictions, pleas, or pre-trial diversions, and 9 civil filings, including one of $366 million against a proprietary school and its owner. The direct dollar impact of court and administrative actions and recoveries in 1988 resulting from investigation activities totaled about $1 million.

Student Financial Assistance Initiative

In setting priorities for FY 1989, we identified the Student Financial Assistance (SFA) area as the most vulnerable to fraud, waste and abuse of any in the Department. Our efforts have disclosed significant problems in the administration of the student aid programs by some participating institutions, including certain guarantee agencies, lenders, servicers and schools, and at times, by employees of these institutions. We have found numerous instances of fraud and abuse in proprietary schools and have focused much of our effort in that area.

During the last two years, we have completed 26 audits involving proprietary schools or their owners, officers or employees which resulted in recommendations for disallowance or recovery of about $41 million. Our investigations have resulted in indictment of 14 owners, 2 officers, 51 employees and 4 proprietary school

entities, and conviction of 7 owners, 27 employees and 2 proprietary school entities. In addition, 2 civil suits were brought against proprietary schools and their owners in the amounts of $366 million and $9 million, respectively, and a suit was brought against another school in an amount to be determined during trial. We are currently concentrating our efforts on about 30 investigations, 30 audits, and 10 joint audit and investigative efforts involving proprietary schools.

Examples of the types of issues we have found and are focusing on include the following.

Course Length and Ability to Benefit - A $366 million civil suit was filed charging Continental Training Services, Inc., Superior Training Service, Inc., and the chief executive officer, who is also chairman of the board, incoporator and primary owner of both companies, with defrauding Federal student aid programs. The suit alleges that Continental obtained eligibility by submitting false documents regarding the length of its courses and the procedures it uses to assure that student have the ability to benefit from the courses.

To qualify for the Stafford Loan program (formerly the Guaranteed Student Loan program), correspondence programs must require a least 12 hours of preparation per week over each twelve week period and completion of a minimum of 300 clock hours in not less than six months. To qualify for the Pell Grant program, correspondence programs must be at least 600 clock hours. The suit alleges that programs offered by Continental Training Services were of insufficient length to qualify for either program.

Students without high school diplomas or equivalent must have the ability to benefit from their training to participate in SFA programs, as determined by a test or counseling. The suit also alleges that Continental employees altered wrong answers on ability-to-benefit exams which changed failing grades into passing, or provided the potential student with answers to assure the individual could enter the school. Some individuals who could not read, write, and/or speak English were enrolled. Individuals who had physical disabilities which would prevent them from driving a truck or from obtaining a license to do so were enrolled.

Individuals were enrolled who could not get licenses because of prior driving or criminal records or who were serving prison sentences which could prevent them from attending resident training within a reasonable time.

This chain of schools has been receiving about $50 million o year in Federal grants and loans made to students.

Fraudulent Documents - Wilfred American Educational Corporation and its president have been indicted for offenses which arose out of Wilfred's operation of Wilfred Academies of Hair and Beauty Culture in Tampa, St. Petersburg and Orlando, Florida. They were charged with conspiracy to defraud the Department of Education, racketeering, false statements in a matter before the Department, stealing, embezzling or misapplying funds provided or insured by the Department, and wire fraud. In addition, 18 employees were charged

with conspiracy and making false statements and/or stealing, embezzling or misapplying funds.

Seven employees of Wilfred's Boston and Malden, Massachusetts, schools pled guilty to criminal charges for their activities while serving as financial aid counselors at the schools. They admitted to coaching student to misrepresent their dependency status on applications to qualify for larger amounts than they were entitled to receive.

This chain of schools has been receiving about $80 million a year in Federal grants and loans made to students.

Ability to Benefit - Our review of Hausman Computer Associates disclosed that employees of the school created high school diplomas for students who were not high school graduates to make them appear to be eligible for Federal student aid. Under the school's State operating license, only high school graduates could enroll. Many of the school's 800 students were not high school graduates. This school had a default rate of 60 percent.

Leonard Hausman pled guilty to conspiracy to defraud the Department of about $25 million in grants and loans between 1983 and 1987. The former recruitment director of the school also pled guilty to conspiracy to defraud. In addition, as a result of our audit report, the Department is seeking recovery of over $24 million and a fine of $1.5 million.

Course Stretching - We are currently looking into course length with respect to certain occupations. An example is training for security guards, for which one State requires 8 hours of training for State license and another requires 30 hours. From our work to date, however, it appears that some proprietary schools have created 300 and 600 hour training courses for security guards to qualify for participation in the SFA programs. The additional hours are of no benefit to the student in obtaining a license and, upon completion, student apparently have no increased earning potential from the additional hours of training. It appears that the required training is often available either free from employers or at minimal costs from community colleges. The student do, however, have significant additional debt burden from loans obtained to attend the long courses.

Eligibility - The Academia Puertorriquena de Belleza was ineligible to participate in Federal student aid programs during a four-year period because it failed to renew the required license to operate. During this time students received $3.6 million in grants and loans. Our audit and investigations also showed that the owner and five others, including the owner's daughters, used grant funds for personal use, including repayment of personal loans. A 39 count criminal indictment charged all six with various violations, and a civil complaint for $8.9 million was filed against the school and its owner under the Federal False Claims Act.

Branch Campuses - We are looking into a situation where a 4-year liberal arts college, apparently in order to avoid possible bankruptcy, entered into contractual arrangements with individuals who would provide vocational training at off-site locations. For a fee, students attending the off-site locations would be enrolled in

the college and processed through it for Federal student aid. The programs offered, however, were not of sufficient length and did not lead to a degree, certificate, or employment in a recognized occupation and were therefore ineligible to participate in Federal student aid programs in their own right. Through the contractual arrangements, the ineligible programs received the benefits of accreditation, including access to SFA program funds totaling about $20 million, and avoided Departmental review. We also found that the programs offered apparently failed to meet SFA program requirements, and addmitted students under procedures that apparently did not meet the standards of the 4-year college's accrediting body.

In addition to examples like this where a 4-year liberal arts college has off-campus sites offering vocational programs, we have other examples of apparent abuse of branch campus regulations where eligible schools provided student aid to students at ineligible branch campuses; schools processed student aid forms for a campus the school had sold; and new schools, formed by buying a school then changing the address and name, continued to process loan application through the old school's name, locations and I.D. number.

Fraudulent Documents - The International Business Schools, Inc., doing business as Sawyer School, and the owner of Sawyer School pled guilty to charges of conspiracy to defraud the Pell Grant program of $500,000. An OIG/FBI investigation developed evidence that the owner and other were falsifying entrance examination scores for applicants, falsifying grades in order to retaining students on the active rolls, and falsifying job placement records for those completing the program.

Fraudulent Documents - Willie Echols, owner of La Tee's Beauty School, was convicted of fraud, perjury, conspiracy, tax evasion and racketeering in a $690,000 Pell Grant scheme involving the falsification of documents to reflect regular attendance by individuals who were not students. Timecards, State inspection records and sign-in sheets are examples of records falsified to reflect attendance when the "student" was actually incarcerated, was on a leave of absence, or had dropped out of class. Echols also forged student signatures on Department forms to request payment to individuals who were not entitled to such payments. Six employees also pled guilty to charges or were convicted.

- - - - - - - - -

Many of these problems contribute significantly to high default rates when students find that they are unable to completed the course or cannot obtain employment after completing it. In 1988, loan defaults costs $1.4 billion, 43% of the annual costs of Stafford loans. Defaults are particularly a problem at proprietary schools. A recent Department analyses of loans entering repayment status in 1985 showed that proprietary school students made up 25 percent of the borrowers entering repayment status, but 52 percent of the borrowers defaulting. It likewise showed that proprietary school students accounted for 16 percent of the dollars coming into repayment, but 41 percent of the dollars in default. In addition, the analyses showed that one third of the schools in the study were proprietary schools and that:

- 1,415 schools had a default rate of 20 percent or more.

- 55 percent of these were proprietary schools.

- 265 schools had a default rate of over 50 percent.

- 77 percent of these were proprietary schools.

The average default rate at proprietary schools was 36 percent, compared to 21 percent for 2-year public schools and 9 percent for 4-year colleges and universities.

Proprietary school participation in student aid programs has increased substantially in recent years. Although the trend data on participation in the Stafford loans programs are limited, they are similar to trends in the Pell Grant program. In that program, the number of proprietary schools participating increased 27 percent and the funding for these institutions increased 145 percent between FY 1981/82 and FY 1986/87. In addition, the relative proportion of funding going to proprietary schools increase as well. In FY 1981/82, proprietary schools received 13 percent of Pell Grant funds and accounted for 37 percent of the participating schools. In FY 1986/87, proprietary schools received about 25 percent of the Pell Grant funds and accounted for 42 percent of the participating schools.

As a result of problems identified and concerns about the default rate, during the last year OIG has refocused its efforts not only on identifying and thus helping to remove from the programs those owners, operators and employees of institutions who are abusing the programs, but also on identifying the causes and possible solutions to the problems identified. We are devoting about 75 percent of our direct audit time after mandated audit work to these issues.

In our effort to address systemic problems which contribute to areas in which we have had significant findings and to high default rates, we have identified eight key issues for review. These are:

Course Stretching - SFA program regulations specify that in order for programs to be considered eligible, they must be of a certain length. The purpose of this study is to determine if short courses are being padded with material that is not needed for a license or employment in certain occupations in order to increase the required number of clock hours, primarily to make them eligible for Federal student financial aid.

Results of Training - We plan to review whether proprietary vocational schools are providing training which prepares students for useful and gainful employment in the occupation for which they have been trained; and to assess the success rate and identify the causes for any ineffectiveness.

Ability to Benefit - Students without a high school diploma or its equivalent may be enrolled in an institution under an "ability to benefit" criteria (as determined by a test of counseling) and be eligible for Federal student aid. This study is to determine what procedural, regulatory or legislative changes are needed to insure that students admitted to an institution under the "ability to

benefit" criteria truly stand to benefit from the instruction they receive.

Recruitment Practices - Regulations do not allow schools that participate in the Stafford Loan program to employ or use commissioned salespersons to promote the availability of loans. This study is to determine the extent to which proprietary schools are using commissioned salespersons to promote loans activity and are engaging in other abusive, misleading or illegal recruiting practices; and to make recommendations designed to strengthen the regulations.

Branch Campuses - In some situations, it appears that there is loss of control over student aid funds when students at otherwise ineligible campuses obtain Federal aid through arrangements with eligible schools. In some cases, the arrangements are technically within the regulations in that the eligible school has contracted with an ineligible school to provide 25 percent of the students' training. However, even in some of these cases, the arrangement seems to have been made to provide a flow of Federal funds until the ineligible schools is in existence for two years or has met some other eligibility requirement. In other cases, ineligible campuses are unlicensed or unaccredited branches of an eligible school. The host school may be a proprietary school or a 4-year liberal arts college. The objective of this study will be to determine what regulations and/or administrative procedures are needed to prevent abusive practices.

Course Length - Federal SFA program regulations specify that in order for programs to be considered eligible for SFA purposes, they must be of a certain length. Our audits and investigations have disclosed that institutions have misrepresented the length of their courses in order to qualify them for SFA, by asserting that they are longer than they actually are. The objective of the study is to determine the extent to which institutions are misrepresenting course length in this way, and what regulations and/or administrative procedures need to be strengthened to stop this abuse.

Accreditation, Eligibility, and Certification - In order to participate in SFA programs, a school must be accredited by an accrediting body which has been recognized by the Secretary of Education. It must also pass other eligibility and certification requirements.

Because of legal restrictions, the Department relies significantly on the work of the non-governmental accrediting bodies to assure the quality of education at the institution in determining whether an institution should be eligible to participate in SFA programs. The Department also requires that a proprietary school be licensed in the State in which it operates, be in existence for two years, and have courses of specified length before to can be eligible to participate in student aid programs. In addition, a school must be certified by the Department, based on a desk review of its financial and administrative capability to administer the programs, before it can participate in student aid programs.

The objective of this study will be to determine whether there are areas where the accreditation, eligibility and certification processes do not assure that integrity of Federal SFA programs, and

what additional legislative, regulatory or administrative practices are needed.

Due Diligence - The Stafford Loan program regulations specify minimum loan servicing activities that lenders and guarantee agencies must follow for federally graranteed loans. If these activities are not properly conducted or not conducted at all, the Federal government reinsurance on any loans is withdrawn as collection of these loans becomes less likely.

Our work has disclosed a number of instance where they required collection activities were not being performed. It has also disclosed situations where performance of the required collection activities was falsified so that reinsurance claims could be filed. Our efforts will focus on identifying the extent to which these problems exist and on strengthening program legislation and regulations where appropriate.

- - - - - - - - - - -

In addition to the above areas of concern, we continue to oversee the work of non-Federal auditors who perform legislatively mandated audits of institutions participating in the student aid programs to improve the quality and usefulness of their work. Our desk reviews of reports submitted showed that 14 percent required major changes and 6 percent had significant inadequacies. From our quality control reviews of workpapers supporting selected reports, we found that 19 percent required major changes and 32 percent had significant inadequacies. In 1988, we issued revised guidelines for these audits to provide better coverage of key issues. We also provided training for over 2,000 non-Federal auditors at numerous locations nationwide to facilitate use of the guidelines. There continues to be a need for improvement in the quality of these audits, and we will continue our efforts in this area.

As described above, we are addressing student financial aid issues in various ways and devoting significant effort to this area. We will continue to treat SFA as a high priority in FY 1990.

Mr. Chairman, I thank you for the opportunity to report on our efforts and accomplishments and present our budget request. My colleagues and I will be happy to answer any questions.

INTRODUCTION OF ASSOCIATES

Mr. THOMAS. Thank you, Mr. Chairman. Mr. Chairman, first I would like to introduce my two colleagues who accompany me today. John Horn, on my right, is the Assistant Inspector General for Investigations in the Department of Education and Mitch Laine, on my left, is the Assistant Inspector General for Audits in the Department of Education.

Thank you for this opportunity to discuss our fiscal year 1990 budget request for salaries and expenses of the Office of Inspector General. Concerning our priorities for fiscal years 1989 and 1990, we identify the student financial assistance area as the most vulnerable for fraud, waste, and abuse of any in the Department.

PROBLEMS WITH STUDENT FINANCIAL ASSISTANCE

Our efforts have disclosed significant problems in the administration of student aid programs by some participating institutions, including certain guarantee agencies, lenders, servicers, and schools and, at times, by employees of these institutions. We are presently devoting to this area about 75 percent of our direct investigative time and about 75 percent of our direct audit time. After taking out the mandated audit time that we are required to do, particularly, to identify causes and potential solutions to the problems in this area, we found numerous instances of fraud and abuse in this area. Our efforts have resulted in indictments of 14 owners and four proprietary school entities in the last 2 years and convictions of seven owners and two entities.

We filed two major civil lawsuits against the schools and their owners for $366 million in one case and $9 million in another. We currently have ongoing, or plan to start soon, audits and investigations of 70 institutions, most of which relate to proprietary schools.

Proprietary school participation in student aid programs has increased substantially in recent years, both in terms of dollars and as a percentage of the number of schools participating. In addition, departmental analyses show that proprietary schools have a significantly higher default rate than other types of schools, and their students account for a disproportionately high number of defaults and default dollars.

Examples of the types of issues we have found and are focusing our attention on include the following. In the area of course length and ability to benefit, we filed a $366 million civil suit charging Continental Training Services, Inc. and Superior Training Service and its primary owner with defrauding the Federal student aid programs by obtaining eligibility based on false documents regarding the length of its courses and the procedures it used to assure students had the ability to benefit from the courses.

In the area of false documents, the Wilfred American Educational Corp., which receives in the vicinity of $80 million a year through its students, its president, and 18 employees have been indicted for various criminal charges including conspiracy and racketeering. Seven former financial aid counselors pled guilty to criminal charges for coaching students to misrepresent their dependency status on applications to qualify them for larger amounts.

And in the area of ability to benefit, employees at the Hausman Computer Associates, which had a default rate of over 60 percent, created high school diplomas for students who were, in fact, not high school graduates to make them appear to be eligible for Federal student aid. Mr. Hausman pled guilty to conspiracy to defraud the Government of about $25 million dollars. The former recruitment director also pled guilty to conspiracy to defraud. And, in addition, as a result of our audit report, the Department is seeking recovery of over $24 million and a fine of about $1.5 million.

In our effort to address the systemic problems which contribute to student aid problems, we have identified eight key issues for review. And these issues are presently ongoing or will start soon.

STUDENT AID PROBLEM AREAS

The eight areas are—accreditation, eligibility, and certification is one—ability to benefit, course stretching, results of training, recruitment practices, branch campuses, course length, and due diligence. We are addressing student financial aid issues in various ways and devoting significant efforts to this area.

We will continue to treat student aid as a high priority in fiscal year 1990 as it is in 1989. Mr. Chairman, I thank you for the opportunity to present this summary on our accomplishments and efforts. And my colleagues and I will be happy to respond to your questions.

Senator HARKIN. Thank you very much, Mr. Thomas, for that summary. Again, I will just start off by repeating what I said for your benefit and those that are coming after you. We are all struggling to try and find more dollars for education. President Bush wants to be the education President; we want to be the education Congress.

We recognize the need for moneys to be put into various areas of education. And yet, when we look at the default rate and find it to be the third largest program in education after chapter 1 and Pell grants, something is really wrong. We are spending 10 percent of our education budget just to pay for defaults. So it makes sense to me that if we could clamp down on the default rate, we would not have to burden the taxpayers any longer.

We can use that money to address the problems that we have in education. On that note, I will recognize for opening statements my distinguished colleague from North Dakota.

PREPARED STATEMENT OF SENATOR BURDICK

Senator BURDICK. Mr. Chairman, in view of the fact that the hearing is proceeding well, I ask unanimous consent that my opening statement be made a part of the record.

Senator HARKIN. Without objection.

[The statement follows:]

STATEMENT OF SENATOR QUENTIN N. BURDICK

Good morning. Today's hearing on postsecondary education programs is an important one. I am encouraged by some of the Administration's plans to improve the efficiency of financial aid and work to help disadvantaged students. But I am concerned about the actual funding levels for higher education programs.

As I have mentioned, rural education is a special concern of mine. Colleges and universities in rural America are adversely affected. The economic downturn is taking its toll on our public colleges and universities. A "brain drain" of college faculty is occurring. This must be stopped. We must be able to pay adequate salaries. States need help to meet all their expenses.

My particular interest today is in TRIO and other programs to aid disadvantaged students. In the Administration's budget justification book, it was stated that the funding level for such programs was for "* * * emphasizing activities that enhance postsecondary educational opportunities for disadvantaged individuals." Yet what is proposed is a level funding budget which won't even keep up with the inflation rate. In that kind of proposal, it's hard to find the emphasis on serving the disadvantaged.

As we move through the appropriations process, I will be working for a realistic level of funds for all education programs. I will be especially interested in TRIO, the Title III programs, and the Ronald McNair Post-Baccalaureate Achievement Program. These are very popular in my state. They offer disadvantaged students hope for the future.

I hope that our work in Congress will result in a fair education budget.

PROPRIETARY SCHOOL DEFAULT RATES

Senator HARKIN. Mr. Thomas, I have a series of questions I would like to go through with you. First of all, let us take a look at the proprietary schools. In your formal statement, you pointed out that proprietary schools make up 35 percent of the institutions participating in student financial aid, but 50 percent of all loans in default and 40 percent of the defaulted dollars.

You also noted that the average default rate in proprietary schools was 36 percent compared to only 9 percent for 4-year colleges and universities. Now, I have heard time and time again that one of the reasons that proprietary schools have a high default rate is because they address very low income, very disadvantaged students. So they are taking the high-risk population.

The information that I have been given by the Department of Education, and GAO, shows that proprietary schools have higher default rates across all income categories compared to other sectors of postsecondary education. Have you found that to be true? Have you done any investigations into that? Are you aware of these findings by the Department and GAO? And third, what is it about proprietary schools that results in these higher default rates?

Mr. THOMAS. I am aware that the General Accounting Office in mid-1988 issued a report. My recollection of that report, though, Senator, is that one of the findings was that for low income they found a large number of defaulters. But it seems to me that in this area of defaults, we have to focus on different areas.

For example, it appears that the incentive for schools is in the area of enrollment, as opposed to in the area of completion of the education. But as a consequence, the emphasis is on getting more and more people into the system. Now we know from our audits and investigations that there are high dropout rates in many institutions, and I think that it is reasonable to assume that with high dropout rates, you have people who feel cheated by the process. And those individuals are not going to be inclined to pay back student loans that perhaps they were deceived into signing for initially.

Sometimes we have found that as recruiters for schools bring in students, they tell them that this is an education being provided by the Government. Students are led to believe that they are grants, rather than loans, and they sign a batch of papers, included in which are loan documents. We believe that the people who are deceived into getting into these loans are not very inclined to pay them back later, particularly when they drop out of school after a day or a week or so and feel that they have not received the kind of education that they have been led to believe.

We also find that some of the training that they received does not necessarily prepare the student to go out and get a job. For example, in the area of security guards, we have a review going on in a couple of areas where we find that, in order to obtain a license to be a security guard, the training necessary is 8 hours in one State, 30 hours in one, 40 hours in one. But in no place did we find more than about 60 hours required. And yet, we have schools out there

which are offering courses for 300 or 600 hours to make them eligible for student aid. And when they go to get jobs, the people are telling them, "We cannot use your training here; we provide our own training for security guards, and we have to untrain you." And so many of these people are bitter and, I think, not inclined to pay back these loans that they get.

The other is that even after completing the course, sometimes they cannot pass the licensing for the State. For example, we had one institution that we completed the investigation on last year out in Chicago. It was a beauty school where we traced students for a 6-year period. We found that for all of the enrollees in that school for a 6-year period, only about 11 percent ever passed the State licensing exam.

FACTORS IN DEFAULT RATE

We think that all of these are contributing factors toward the default rate. If you go back to the list that I read, the eight areas in which we are focusing our attention largely in 1989 and 1990, we believe that we have to get back to the origination, to those coming into the system and those who are learning who are getting the loans up front and who are not benefiting somehow. We have to focus our attention in that area before the loan takes place, rather than trying to focus on those who already have loans and now we are just trying to collect the money. That, obviously, is important because of its sheer size. We cannot ignore that. But we are putting our attention on the front end of that system trying to provide mechanisms by which we won't get into these loans at the outset.

Senator HARKIN. I was just looking at the data from GAO that shows that across all income lines the default rates are high. I don't know what you meant when you said they found something about low income. Because, as I look at it, default rates are in all income levels: under $10,000, $10,000 to $20,000, and over $30,000.

In every level, default rates are higher at proprietary schools compared with other schools. Again, my point is that the default rate is definitely higher among low income, but that is true at all the other educational facilities, too. Proportionally it stays the same across all income levels.

Mr. THOMAS. My recollection is that I agree with you that it was always higher in proprietary schools. But my recollection is that it had a big blip on the low-income side and then got closer as the income progressed; but I do not have that report with me.

Senator HARKIN. No; not really. Look at this. Let us just take the level under $10,000. At the proprietary schools, the default rate, 53 percent; higher education, 21 percent; $10,000 to $20,000, it was 36 percent for proprietary, 14 percent for higher education; $20,000 to $30,000, it was 22 percent proprietary, 9 percent higher education. Over $30,000, 17 percent proprietary, 7 percent higher education. So actually, it means it is a little over 2 to 1 all the way through.

Mr. THOMAS. I stand corrected.

SUPERIOR TRUCKING CASE

Senator HARKIN. You mentioned one case, *Superior Trucking*, involving $366 million of program fraud. It is a well-known case, we

have all read about it in the newspapers. One of the charges against Superior Trucking is that they enrolled students in their truck driving school who could not benefit from the program.

They enrolled individuals who could not read, write, or speak English. Some students with physical disability so great that they could not even drive a truck. They enrolled individuals who could not get a license because of prior criminal or drug records.

I understand that the way they got around this, and you can correct me if I am wrong, is that they used this ability- to-benefit provision. So could you please tell this committee more about abuses under the ability-to-benefit provision and what suggestions, if any, you have to help correct these abuses under the ability-to-benefit provision?

ABILITY–TO–BENEFIT PROVISION

Mr. THOMAS. Well we have found, Mr. Chairman, a number of problems in that area. We found, for example, that students are brought in and the rules are that a student either has to have a high school diploma, a GED as a substitute for that, or has to pass an examination or receive adequate counseling in order to be determined to have the ability to benefit.

What we have found in some cases is that the test that has been used to make that determination was given to the students in Spanish, whereas the course was being taught in English. Students may have a very good ability to understand Spanish and understand the questions, but when it came to the course, actually performing, of course, they didn't have the skill to convert that into English and develop the learning.

We have found cases where the recruiters and other members of the proprietary school changed the answers to test questions to make wrong answers right to give them a high enough score to pass.

We have found instances where the proprietary school has taken a test that may be 30 pages long, taken out the first 4 or 5 pages, and used the results of those 4 or 5 pages as a basis upon which to determine ability to benefit. In our discussions with the service that developed those tests, they told us that in no way can you use a small portion of an overall test to make a determination that a student has the ability to benefit.

One of the things that we found—we are working a case now, for example, where they use about three pages which have 40 questions out of an overall test that has hundreds of questions on it. The school is allowing a passing record if you pass 10 out of these 40; and the 40 were selected out of a much broader range and only covered one aspect of the overall testing score.

Another problem that we found was allowing the commissioned sales people, the ones who actually gained from bringing students into the institution, allowing them to administer the tests and then provide the results back to the student as to whether they passed or failed.

Another one, and this one I alluded to briefly in my opening testimony, was relative to falsifying high school diplomas. In the Hausman School in New York, where we had an audit, an indict-

ment, and a plea, the owners and operators of that school put in the students' files a false high school diploma, which would give the impression to a person reading the file, that that person had the ability to benefit, when in fact, he or she never did meet that test.

One of the eight projects that I mentioned to you earlier is going to be looking into this area, and we will try to see if we can develop mechanisms to improve upon it. For example, the possibility exists of maybe having some independent organization develop a test that would be mandated for use by all these schools and used in its entirety, rather than some portion thereof. But that is preliminary at this point, and our study is underway, but by far not complete.

Senator HARKIN. Do you think we ought to change that ability-to-benefit provision? Again, as you said in your opening statement, everything is geared to getting them started, but nothing is geared toward getting them completed. Maybe this ability-to-benefit provision ought to be substantially, substantively changed. Have you looked into that?

Mr. THOMAS. We anticipate that that would be covered in the study that I alluded to. All we have are broad scale implications at this point, with no firm evidence to support a judgment one way or the other.

Senator HARKIN. You talked in your statement about systemic problems that not only contribute to fraud and abuse but also hide the default rates. You mentioned the studies in the several areas. We talked about the ability-to-benefit provision. Now, could you briefly talk about some of these other areas that you see as systemic problems?

TUITION REFUND POLICIES

Mr. THOMAS. I suppose there are a variety of them. One of the ones that we are beginning to find now is the structure of the course as it is presented. For example, the course may be structured so that the midpoint, the point at which the entire tuition fee is earned, is very early in the course. So once a student hits that point, then the institution has earned the tuition. And the student that drops out at that point really has no recourse, has no education and at the same time winds up with a debt. So that is kind of a structural issue.

COURSE LENGTH

One of the others is that in order to qualify for student aid a course has to meet the minimum number of hours. For example, in GSL, you have to have at least 300 hours. In some of the occupations, it may only take 50, 75, or 100 hours to adequately train somebody for a job, which is one of the prime purposes of proprietary schools.

But those shorter courses, of course, are not eligible for student aid. And so what we find is that some of the proprietary schools are stretching that 75 or 100 hours and adding fluff kinds of things into it so as to meet the minimum qualifications for student aid. And so, there you are requiring a student to go to school longer. You are requiring a student to incur costs and frequently, of

course, you are discouraging the student because of the time it takes, and the inadequacy of the facility and or the teachers. So I think each of those is kind of structural.

TUITION REFUND POLICIES

The other one relates to those same two points, and that has to do with the refunds. The refunds have to be fair and equitable, but fair and equitable is determined under standards established by the accreditation agency. And if the school has a refund policy as good as that of the accrediting agency, then it would be determined to be fair and equitable.

One of the things that we found, one of the examples that we have, is that one school included the cost of a computer in its tuition. But the student does not get the computer until he or she reaches the midpoint of the training course. We found that about 90 percent of the students were dropping out at a point before they reached midpoint. So they were never receiving the computer. And yet the tuition and fees to which the school is now entitled, when they drop out, is paying for that computer; yet the student never gets it. So this issue of refund policy is another one that is kind of built into the system like that.

SUPERIOR TRUCKING CASE

Senator HARKIN. These are all things we are going to be looking at pretty closely. The thing that really bothers me is the length of time it took to catch the Superior Trucking Co. Why did it take so long to discover fraud at Superior Trucking? $366 million is a lot of money.

Mr. THOMAS. It is a lot of money, Mr. Chairman, and it is very difficult to determine precisely why it was not found earlier. But any time that you have——

Senator HARKIN. Just a minute Mr. Thomas. I can't just brush off that answer like that. Tell me again why did it take so long?

Mr. THOMAS. I was going to try to do that.

Senator HARKIN. I thought you were saying it was hard to determine and you were moving on to something else.

Mr. THOMAS. No; I am not moving on to something else. It is hard to determine up front as to why that happens. But part of the process is that we have a system in place for control over people who get into this industry and who become eligible for student aid. Part of that process is to receive a license from a State organization. Part is to be accredited by an acceptable accrediting institution. Part is to become certified and made eligible by the Department of Education. Each one of those points we look upon as like a gatekeeper; that is, if you pass through that gate you know you have met certain criteria.

But with a false statement, frequently you do not have the ability to make a determination. If the facts are presented and they are accurate, then you would expect it to be caught as it goes through those various gates. But one of the things we find is that each of those parties, as they are the gatekeepers, do not necessarily acknowledge and recognize the responsibility that we are placing on them to be gatekeepers. The process is such that frequently it is

the paperwork that is submitted that is used as a basis for making the determination. And there is not the opportunity, for example, to look behind that paperwork, and so that is an issue. Another control point is——

ONGOING AUDIT PROGRAM

Senator HARKIN. Can I just stop you right there for a second? You said you do not look behind that paperwork. Is there any kind of audit program within the Department of Education to audit these programs like we do in the Department of Health and Human Services to audit Medicare claims as they come in? We discover all kinds of fraud, waste, amd abuse in Medicare programs because we have an ongoing audit program. They spot check and look at things to see if there are possibilities and eventually go out and investigate. Is there such a thing in the Department of Education?

Mr. THOMAS. The term audit is not one I would relate to that. But I think the process to which you are referring is the one that we call eligibility and certification. The school submits a package of papers to be evaluated by the Department and that is done by the program side. So I am sure you would want to pursue that with them. But that process is such, my understanding is, that they do not have the opportunity of going behind the papers. They receive the papers. They evaluate the papers and they make judgments on the papers that are submitted. But they do not have the opportunity to go back to the site to validate the information that is presented in those papers.

Relative to audit, though, this was the next point I was going to get to. There is a requirement that all student aid institutions have to submit to the Government every other year an audit of all of its student aid activities. These audits are done by non-Federal auditors, mostly certified public accountants in private practice. Part of my job as the inspector general is to determine that those audits are done in accordance with generally accepted governmental audit standards.

What we have found in the last few years, since we have become a Department, is that the quality of these audits that are being done by the non-Federal auditors, the certified public accountants, is not very good. We have a process that we call desk review, where we review all of the reports that come in to see what is in them, and see if there are any indications that things were not done as they should have been done or that individual items were found that we should follow up on.

NON-FEDERAL AUDIT QUALITY

Then we have a process called quality control reviews where we go to the CPA's offices and look at the work papers that he or she has to support that report. Now those are, in part, judgmentally selected and have to be because of the cost and location of these firms. But we do about 8 percent of all of the reports that come in. We do a quality control review of the work papers. Of all the ones we looked at in 1988, we found that 51 percent of them either had to have major changes in the audit report or the report had signifi-

cant inadequacies in it. Now those are two terms that we use to talk about the quality of non-Federal audits.

Senator HARKIN. You say you found this?

Mr. THOMAS. We found that in the CPA's work papers.

Senator HARKIN. That 51 percent had significant problems? Was that the phrase you used?

Mr. THOMAS. Yes, sir.

Senator HARKIN. Did the Department find that?

Mr. THOMAS. No; Mr. Chairman, this is an issue now when a CPA files a report with the Department where it talks about the financial aspects and compliance with certain laws and regulations relative to the student aid program at a school.

A proprietary school is the case in point. What we do in the inspector general's offices is look at a sample of the CPA's work papers to see what steps he or she took in order to arrive at that report. What I am saying is that the quality of work that was done by the CPA at the school, when he did that audit, is of poor quality. So that we in the Department do not have the assurance that that CPA has done the things that are required of him and that the school, then, is not reporting to the Department in the areas that should be reported upon.

Senator HARKIN. When you find something like that, do you recommend to the Department not to engage these CPA's in any further audits? I mean, do you let them go or not? Or do they just keep right on doing this?

Mr. THOMAS. The Department does not engage the CPA's. The CPA's are engaged by the schools. What we do——

Senator HARKIN. Well, let me rephrase the question. Do you go after the schools and tell the schools?

Mr. THOMAS. We go after the school and we also go after the CPA. We go after CPA's by referring them to the State board of accountancy, which looks at their license to determine whether they should be in the business of public accounting. And we refer them to the American Institute of Certified Public Accountants to see whether they should be in the practice of public accounting at all and in that institute. So we do go after them. And what we do is we tell the program people that the reports received from that CPA for that institution are not acceptable to the Department, and we send them back.

Senator HARKIN. I am still not completely satisfied with why it took 7 years to fine Superior Trucking. I understand all the gates that you have to go through. But it would seem to me that, as I understand it, if they went through the accreditation and they were accredited—am I correct in understanding that no accreditation has ever been questioned, has ever been thrown out or turned down?

Mr. THOMAS. My understanding is, Mr. Chairman, that of the schools that come into the Department for certification and eligibility determinations, that maybe up to 1 or 2 percent, in fact, are questioned. And then they go back and are required to resubmit certain things. And much of that questioning is because of financial viability as I understand it.

ELIGIBILITY AND CERTIFICATION

Senator HARKIN. This committee last year was told the Education Department never once, never once, decertified one of its recognized accrediting bodies. Do you believe that the Department is doing an adequate job in evaluating and certifying the accrediting bodies?

Mr. THOMAS. I agree, the accrediting body is at the second gate that I alluded to earlier. And one of the areas that we are very much concerned about is the role that the accrediting body plays out there. You see, when the accrediting bodies first came into being, there were no student aid programs. They were like a self-regulatory thing for totally different purposes than to be a gatekeeper for student aid. So what we have tried to do in the Department is capitalize on existing systems, and use those processes as best we could.

Senator HARKIN. So here we are. We have a situation where organizations that accredit proprietary schools are made up of the owners of proprietary schools. It is the same way with standard colleges. The college presidents serve on the accrediting bodies. Now, systemically, do you believe that this is a problem with the accrediting bodies where the fox is guarding the hen house?

Mr. THOMAS. At this point, Mr. Chairman, I would say that I am concerned about that. I am so concerned that that is one of the top items of the package of eight that we are devoting a great deal of time to right now. And we have not completed that study so I do not really have any finite answers for you, but we are very concerned about it, yes.

Senator HARKIN. Well let me just go through this. Certain proprietary school accrediting bodies, I have been told, are cracking down on schools, issuing ultimatums, et cetera. But at the same time, the accrediting bodies survive on the fees they get from the schools they accredit. And they must compete with one another to accredit these schools.

So again, do we have a situation where the accrediting bodies have to worry about losing their members to other accrediting bodies? Do I make myself clear on that?

Mr. THOMAS. I think so, yes, sir. Part of the concern that we have, Senator, which is the same one that you express here, is that we find that there are accreditation bodies out there who hold themselves out as being an accreditor of last resort, who, in essence, say that if you cannot get accreditation anyplace else, come to us and we will do it for you. Obviously, we are very concerned about that because that kind of gives them the key to the door. One of the reasons, again, that we are focusing so much attention here is because of our concern. We have not made a thorough analysis and arrived at conclusions yet, though.

EXTENT OF FRAUDULENT ACTIVITY

Senator HARKIN. If it took 7 years to find $366 million in fraudulent activity by Superior Trucking, and the system that allowed that to take place is still continuing, is it fair for me to assume that there are others out there doing the same thing? Can I assume that there are still fraudulent activities going on?

Mr. THOMAS. You can assume that there are others out there carrying out fraudulent activities today as we speak. We can assume that because we have cases ongoing. We have a case that we are working closely with now with a State prosecutor in one State which has the same elements that we found in Superior, that of falsification of the original documents on which they were given their accreditation and ultimately their approval for student aid programs. We will continue to find those.

Many of those kinds of programs come to our attention when we have complaints from people—students, and the like. And that triggers us then to go in and start looking behind much of the paperwork that is in the files. You can fairly assume that there are others out there with that same problem.

Senator HARKIN. Well I have to tell you when I first started on this subcommittee, 4 years ago now, and just this year, as chairman, I always knew there was a problem out there with defaults. But I never realized the extensiveness of it and that the system—it just seems to me that the system, the way it is set up is not to discourage the fraud and abuse. It is set up almost basically to encourage it. It almost promotes it. Obviously there are honest people out there and honest schools and honest accrediting bodies that are not taking advantage of it. They are doing their job and doing it well. But you have a system set up like this and it just opens the door to shady characters to come in and rip it off.

Something has to be done and I think done very rapidly to change the system.

Mr. THOMAS. If I may illustrate the point that you are making, Mr. Chairman. We received a phone call just recently, as we do frequently, from concerned citizens or other proprietary school owners. We received a phone call from a proprietary school owner who owns a beauty school in the city and she said that she had a course that was 150 hours and cost $550. It prepared students to go and become licensed manicurists in that city. But she did not qualify for student aid.

Her complaint was that nearby there was another beauty school which had stretched that 150 hours to make it 300 hours, where the student was, in essence, getting the same training but at a higher cost, about $1,700. And it could be paid for or substantially paid for with student aid. And so this person was saying, how can I as a legitimate small business proprietary school trainer compete with this person down the street when you are paying for it. Of course, we are concerned about that.

FUNDAMENTAL CHANGES NEEDED IN SFA

Senator HARKIN. That is exactly what is happening. I just want to read for you what the New York State Board of Regents recently said in the study and again to just reemphasize this. It said, and I quote, "The primary reason for the continued proprietary school abuse lies in the structure of the financial aid system which rewards enrollment rather than completion. This creates a set of incentives to enroll as many students as possible rather than efforts to assist students to achieve vocational skills. This structural problem impedes efforts to change the pattern of abuse and has led us,"

this is the New York State Board of Regents, "to conclude that changes in the means or extent of enforcement alone will not be sufficient to bring about a fundamental change in the nature of the problem. The key to change is the modification of the structure of incentives."

I take it from what you said that you would tend to agree with that?

BRANCH CAMPUS PROBLEMS

Are you making a study on the branch campus situation? Can you just describe that for me how that works?

Mr. THOMAS. Yes, sir; I think I can. I guess there are basically three kinds of mechanisms where a school at a single location spreads out. One way of doing that is to set up a satellite branch campus. And that branch campus would have to be a full-fledged institution in that it gets accredited and is approved by the agency and the like before it is eligible for student aid. Another way is for an organization to contract with an unaccredited and ineligible institution so as to provide services. And a third way is for an institution to have an off-site teaching post, and that is fairly common, as I understand it, among higher education institutions.

Now, what we are finding is that the branch campuses sometimes are set up so that they are ineligible. For example, there may be a 4 year, and we have cases ongoing to that effect, there may be a 4-year liberal arts college that has off-campus sites that offer vocational programs, and they are not eligible in and of themselves. In other words, they run through the eligibility of the prime, routine, every day, 4-year university.

Senator HARKIN. So the vocational school itself is not eligible?

Mr. THOMAS. That is correct.

Senator HARKIN. Because of what? The course hours are not long enough?

Mr. THOMAS. Because they have not been licensed by the State; because perhaps they have not been accredited; perhaps because they have not come in to the Department for certification. Part of that process is length of time they have been in business. You see there is a 2-year period that they have to be in business before they can get into the system. And so that entity may not yet be eligible. We have others where an eligible school provides Federal student aid forms to students at ineligible schools, totally different schools. But there is a relationship worked out among the owners, where the papers for the students go through the legitimate school to get the funds to go to the ineligible campus.

We found schools which process Pell grants and GSL forms and funds for a campus that had already been sold to somebody else. And, of course, sales are just like new schools coming on line. They have to go through the same processes. We have cases of schools which have contracted with an ineligible school to provide a certain portion of their training.

Now, a school, a 4-year liberal arts school, for example, can contract with the vocational school to carry out certain programs. But the home school must provide a portion of the course work. What we are finding is that the process says that that is what is happen-

ing, but when we go out to check, we find that in fact is not what is happening. What is happening, in essence, is that an ineligible trade school is renting, if you want to call it renting, the accreditation of the 4-year liberal arts school to gain access to the student aid program.

Senator HARKIN. Now, it would seem to me this would be an easy line to sever. Why is there not some way you can sever that line? I mean, make them stand on their own, for example. I mean, if they cannot be accredited and fully accredited and meet the 2-year requirement on their own, then they should not be able to go through another institution.

Mr. THOMAS. It is my understanding, Mr. Chairman, that the law under which the student aid programs are delivered allows for some of these kinds of arrangements. And what we are saying is that perhaps what had a legitimate start at a point in time for a good and specific reason is now being abused by the process and is being used for illegitimate purposes.

Senator HARKIN. When the Department comes up, we will ask them if they have some thoughts on what we can do about that. Again, I think time is of the essence here. We have got budget crunches. I keep repeating we have to reduce the deficit, but we want to fund education.

And yet, when 10 percent is going out, I just can't repeat enough, but if we can clamp down on this, it is going to help our whole education budget.

Mr. THOMAS. We agree with you, Mr. Chairman, and we are working aggressively in that regard.

NUMBER OF PROGRAM REVIEWS

Senator HARKIN. I appreciate that. Let me just get into one other area here. Again, it is something I alluded to earlier about this audit situation.

Between 1981 and 1988, the number of program reviews performed on institutions participating in the student aid programs declined from over 1,050 to 730, a 30-percent reduction. During the same period the number of institutions participating in the Pell grant program grew to 8,175. Almost all the growth was in proprietary schools which grew by 50 percent in that period. This committee earmarked extra funds last year in order to get us back to the number of reviews we had in 1981.

Again, Mr. Thomas, in your view does this record represent an adequate level of oversight and enforcement by the Department?

Mr. THOMAS. Mr. Chairman, we have been very concerned about the adequacy of monitoring of proprietary schools for a good long time. We have issued audit reports expressing our concern in that area. Even as we have our own budget hearings in-house, I have mentioned to the budget people before that there was as much need to have monitors in the Department as there is to have auditors and investigators.

None of us have had adequate staffing for that for some time because of the overall problem of appropriations for the Department and for the Government as a whole. Now, in the 8 years that we have been an organization in the Department of Education we

have seen a dramatic shift in the support that our products receive from the people who are administering the programs in the Department.

Eight years ago it was very difficult to get things acted upon once we found cases and once we issued audits. We have seen dramatic improvement in that. We have seen a significant improvement in the attitude of the people who administer the programs of dealing with the concerns that we express to them.

We also have seen, though, the frustrations that they have by having inadequate staff as we have, and as we have testified before you before. The increase in staff this last year will, no doubt, improve that process. We have seen within the Department some reallocations.

We have seen some prioritizing that has increased a bit the monitoring reviews that are now done by program people. The new staff that you authorized last year and has now been hired, as I understand it, will obviously improve that more.

OIG STAFF LEVEL

My own staff, though, for example, remains the same as it was in 1980. In spite of the fact that the Department's budget in 1980 was a little over $10 billion and now is $22 billion. My staff was 300 and it remains at 300. In this current budget we are requesting to go up to 330.

But, again, funds have been difficult, and we continually try to shift priorities to get the most important work done. And we continue to try to do that.

Senator HARKIN. Well again, it is obvious we have not reached any kind of point of diminishing returns in terms of personnel who are involved in enforcement actions in terms of the dollars, the amount of dollars that can be saved. I will discuss this more with the Department when they are up next.

ENFORCEMENT ACTIONS

Sort of talking along that line, though, and just talking about it, the Department has the authority to limit, suspend, or terminate institutions that are found to be violating these laws or regulations. In some cases, they may take emergency actions to terminate the participation of institutions.

Between 1982 and 1988 the number of enforcement actions taken by the Department declined from 58 to 54. Again, as I said earlier, during the same time the number of proprietary schools increased by 50 percent. Last year we had a total of 54 actions against 8,000 eligible institutions.

Again, just for the record, in your view is that adequate enforcement?

Mr. THOMAS. It seems to me Mr. Chairman that there is a direct relationship between the number of reviews that you alluded to earlier and the number of LS&T actions that were taken. Starting late last summer, this entire area became such a priority in the Office of Inspector General that we created a team consisting of not only members of my staff, but members of the general counsel staff, members of the program staff, members of the Office of Plan-

ning, Budget, and Evaluation staff. We come together every week with the idea of keeping each other apprised of what is going on and what the problems are.

We have found that since we have been doing that, the departmental people that institute these LS&T actions have been extremely responsive. Every time we refer something over they have taken rapid action on correcting that situation. We have also found that by having this opportunity to exchange ideas and to keep each other apprised of the problems as they are developing, we do not have these crises at the last minute because we all know along the way where we are as we develop an area.

I would say that the LS&T action improvement has come about in this last year or so, one, because the number of reviews has increased, and two, because the relationships have increased. The other thing that I would bring to your attention is that in October 1988 the new nonprocurement suspension and debarment regulations came into being. Since that has happened, we have also begun to use it as a process for taking action.

We have already had 35 referrals to that organization to take suspension or debarment actions against them. The very first two I alluded to in my statement concerning the Wilfred Academy Corp. and the president of Wilfred Academy, and we have had a number of others since then. But that was the very first two suspension actions under this new system that is now in place.

TUITION REFUND POLICIES

Senator HARKIN. Mr. Thomas, the final area I want to cover with you has to do with refund policies. You did not mention this as one of the systematic problems. The New York Board of Regents mentioned that schools get to keep up to 45 percent of the student's money if they complete only 3 weeks of training.

And they went on further to point out that this did not provide a good incentive for schools to support and encourage students to stay on and complete their course. Since we know that the largest default problem is among students that do not finish their training programs, do you feel that the absence of a pro rata refund policy could be part of the dropout and default problem?

Mr. THOMAS. I certainly think it is part of the default problem. I am not sure, though, whether it is a part of the dropout problem.

Senator HARKIN. Let me rephrase that, part of the default problem?

Mr. THOMAS. Yes, sir; I definitely think it would be part of the default problem, Mr. Chairman.

Senator HARKIN. It could be part of the dropout—I mean that is not what you are looking at, but if the school does not have to refund a pro rata share and someone wants to drop out, they just say goodbye. And if they thought they had to refund it pro rata they might try to convince someone to stay in and complete the course.

That is another part of it. I am looking at the default area.

Mr. THOMAS. It seems to me that this area of refund policy, and it is an area in which we have a great deal of concern, is integral to so many of these others, but our concern is kind of threefold.

One is we are concerned about the refund policy that exists in individual institutions and how it is determined and carried out.

Senator HARKIN. Well now that is the point is it not, that, for example, under the Pell grant program, the amount of money that the Government gets back when a student drops out depends on the refund policy of the school. So the schools vary on this?

Mr. THOMAS. That is correct. Yes, sir; we are concerned about that policy, but then we are also concerned about what we refer to and what we have found frequently as late refunds, or no refunds at all. We have found institutions where students drop out after 1 day, 1 week, 1 month, and then no refund is made for that student, no matter what the policy might be. It is obvious to me that that student who came and enrolled and stayed 3 days is very unlikely to pay that loan at some point in time, when he or she has not been trained for a job, and has virtually no opportunity to get a job.

Senator HARKIN. Why should we leave it to the institution to set the refund policy? Why do we not set the refund policy. We being the Department.

Mr. THOMAS. I really do not have a response to that, Mr. Chairman. It seems to me that the refund policy is part of the operation of the institution. It has routinely been accepted as part of the accrediting process. The refund policy of a school has to be at least as good as that adopted by the accrediting body. That is what the Department has accepted. Now, whether it is statutorily required to do that, I am uncertain. The program people that will follow will be able to answer that better than I.

OIG STAFF LEVEL

Senator HARKIN. Well I know they are sitting there. I will ask them if they will respond to that when they come up here. Now tell me again how many personnel do you have in your Department?

Mr. THOMAS. We have on board today about 290 people. We have the authority to hire up to 320, but we do not have the money to pay them. And so our staff has declined from about 315 at the beginning of the fiscal year, down to about 289.

We anticipate a full-time equivalent usage of about 296 during the current fiscal year on an annualized basis. The amount we have requested in our fiscal year 1990 budget is 330.

OIG FISCAL YEAR 1990 BUDGET REQUEST

Senator HARKIN. And $22 million?

Mr. THOMAS. $22 million, yes.

Senator HARKIN. Is that enough to support that level?

Mr. THOMAS. The $22 million, because of pay increases and increased traveling costs, will probably not be enough to fully support 330. It is probably right at $1 million short, between $900,000 and $1 million short. But it comes closer than any budget we have had in the 8 years we have been in existence.

One of the problems that we have in our operation, Mr. Chairman, is that an auditor or an investigator sitting in the office is not of much benefit to the Government. So we have to have travel

funds. What we find is that the amount of travel funds that we have is enough to allow our people to go out an average of about 40 days. And that has been on the decline for the last 3 fiscal years. The 1990 budget increases that to about 44 days. We think it should be at least an average of 50 days.

NUMBER OF OIG STAFF

Senator HARKIN. You have 290 staffs now. How does that compare with several years ago?

Mr. THOMAS. On numbers of people?

Senator HARKIN. Yes.

Mr. THOMAS. We have had as high as 318 or 319 people actually on board at any one time. The number of authorized staff has been 300; right at 300—up until fiscal year 1988, when it increased to 320.

Senator HARKIN. So you are level? Your personnel level has been about the same for about how many years?

Mr. THOMAS. Ever since there was a department, since 1980. We have been right at 300 ever since 1980.

Senator HARKIN. The Department has doubled since 1980 and you have held even?

Mr. THOMAS. Well, the program budget has doubled. The Department staffing actually has gone down. So another way of looking at that, if you look at the proportionate share that we have of departmental staff, we have a higher proportion of Department staff now than we had in 1980, because in 1980 the Department had some 7,500 or 8,000 people and now it has 4,500. My staff has at least been held even and has not had a proportionate cut as the rest of the Department has.

Senator HARKIN. In terms of the potential for fraud, though, it has doubled. And again you have stayed about the same. Out of that 290 people, how many people do you have, sort of that you have, that are looking at the areas that we are talking about today? Fraud in the student loan and grant area?

Mr. THOMAS. We have 75 percent of our entire investigative staff devoted virtually full time to that. Again, on an annualized basis.

Senator HARKIN. I am sorry, you said that already.

Mr. THOMAS. And we have about 75 percent of the audit staff, after we take out the mandatory work—the preaward contract audit work and the non-Federal audit oversight work. So for 1989 we anticipate using about 70 full-time staff-years of effort on the audit staff, which is up from 45 full-time equivalent staff-years in 1988.

On the investigative side it runs between 35 and 40 staff-years of effort, professional staff.

Senator HARKIN. Mr. Thomas, thank you very much for your fine testimony and being so responsive to our questions.

Mr. THOMAS. Thank you, sir. I appreciate the opportunity of being here.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. There may be some additional questions which we will submit to your for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

INCREASED EFFORT FOCUSED ON PROPRIETARY SCHOOLS

Question: What has caused you to increase your focus on proprietary school fraud?

Answer: Our increased focus on proprietary school fraud and abuse has come as a result of what we have been finding in our audits and investigations in recent years and as a result of concerns about the high default rates at some of these schools. Our efforts are focusing not only on individual institutions, but also on identifying the systemic causes and possible solutions to the problems identified.

Question: Are you satisfied that you are able to pursue an adequate number of suspected fraud cases with available resources?

Answer: We are currently devoting significant investigative and audit resources to suspected cases of fraud and abuse. Additional resources are needed to allow us to pursue more cases more expeditiously, particularly those for which significant fraud and/or abuse has been alleged and where high default rates are present.

Question: With additional resources, would you pursue more cases?

Answer: With additional resources we could investigate more cases in any given year and could pursue our cases more expeditiously.

LENGTH OF TIME NEEDED TO DISCOVER FRAUD

Question: Why did it take so long for the Department to discover the fraud at Superior Trucking?

Answer: In the suit against Continental Training Services, Inc./Superior Training Services, Inc., we allege that Superior obtained eligibility to participate in Departmental programs by submitting false documents regarding the length of its courses and the procedures it uses to assure that students possess the ability to benefit from the courses. The Department relies on papers submitted to it and does not visit an institution or validate what is reported. For this reason, false statements by Superior were not detected during the eligibility and certification process.

Question: What is it about the Department's oversight activities that allows these practices to go undetected for so long?

Answer: The Department relies, to some extent, on the accrediting and State licensing processes to detect problems. In its own process of eligibility and certification, the Department relies on papers submitted to it and does not visit the institution or validate what is reported. A false statement about course length, for example, may not be detected using these processes.

Program monitoring visits by the Office of Postsecondary Education are designed to focus on student aid regulations rather than on eligibility issues. In any event, these visits declined in the early 1980s as a result of funding shortages. Secondly, the required biennial audits by non-Federal accountants do not include a review of institutional eligibility nor course length issues in sufficient depth to detect this type of fraud.

Thus, to alert the Department to problems, we must receive complaints or other indications of impropriety. However, few students are likely to complain about course length, which was a key factor in Superior's case. Our office discovered the problem when we received other kinds of allegations and went in to audit Superior several years ago. The lengthy process since then has revolved primarily around due process issues, rather than detection.

STRUCTURAL PROBLEMS - INCENTIVE FOR ABUSE

Question: A recent study by the New York State Board of Regents states that "The primary reason for the continued proprietary school abuses lies in the structure of the financial aid system which rewards enrollment in programs rather than completion...This creates a set of incentives to enroll as many student as possible rather than efforts to assist student to achieve vocational skills."

Mr. Thomas, do you agree that structural problems such as this lead to fraud and abuse by proprietary schools participating in student aid programs?

Answer: Yes, I do agree with that. Our audits and investigations in recent years have been showing that there are problems in the proprietary school area. Because of this, and of course the high default rates, we are focusing our efforts on the systemic issues that may be letting or causing these things to happen. Our efforts are now channeled into these eight issue areas: course stretching, results of training, ability to benefit, recruitment practices, branch campuses, course length, due diligence, and accreditation, eligibility and certification.

Question: What about the other sectors of postsecondary education?

Answer: We are finding problems with certain other institutions involved in administration of the student aid programs, including some lenders, servicers, and guaranty agencies.

Question: Do you also agree that enforcement efforts alone will not be sufficient to bring about change in the current pattern of abuses?

Answer: Enforcement efforts are certainly needed in any event because you will always have participants who don't understand the system or are trying to defraud it. These efforts are also essential as a deterrent against fraud. However, we believe that major changes might be needed in the structure of the student financial assistance programs, which is why we are focusing a great part of our effort on the systemic issues.

ACCREDITATION

Question: Do you believe the Education Department is doing an adequate job in evaluating and certifying the accrediting bodies?

Answer: We are currently reviewing the accreditation area. As part of the scope of our review, we plan to determine whether the Department is doing an adequate job in evaluating and certifying the accrediting bodies. Discussions with program staff and audits of schools indicate there may be a problem in this area.

Question: To your knowledge, have the results of any of your investigations caused the Department to go back and review its certification of any of the accrediting bodies.

Answer: I have no knowledge that any of our audits or investigations caused the Department to go back and review its certification of any of the accrediting bodies.

Question: I am told that it is well understood among proprietary schools that certain accrediting bodies have far stricter standards than others. Do you agree with that observation? Do you believe that this situation is conducive to the prudent management of Federal student aid dollars?

Answer: We, too, have heard that at least one accrediting body advertises that it will accredit a school if nobody else will. If this is true, it is obvious that this situation would not be conducive to the prudent management of Federal student aid dollars.

Question: I understand that the organizations that do the accrediting of the proprietary schools are made up of the owners of proprietary schools. It is the same way with standard colleges; the college presidents serve on the accrediting bodies. Do you believe we have a problem with the accrediting bodies where the fox is guarding the hen house?

Answer: Although the work has just been started on the accreditation issue, we believe that accrediting bodies are not performing the duties and the functions that the Department believes are necessary to assure that the Federal Government's interests are well served. However, this may be due, in part, to the historical reason behind accreditation itself, and the fact that the Department may be expecting an organization that initially provided nongovernmental, peer evaluation of educational institutions and programs, to provide an oversight responsibility to protect the Federal Government's interests.

Question: I understand that the number of proprietary school accrediting bodies continues to grow each year. Is this situation, in your view, leading to increased competition between the accrediting bodies and causing some to lower their standards in order to retain members?

Answer: We currently are reviewing the accreditation area as one of our issues. Recent audits of several schools have disclosed problems that, if known to accrediting agencies, should have resulted in loss of accreditation and thus loss of eligibility for

Federal program funds. However, at this time we do not have enough evidence in order to make an assertion regarding whether some accreditation bodies are lowering their standards to retain members.

BRANCH CAMPUSES

Question: In your formal statement, you make mention of the use of branch campuses by proprietary schools to bypass the usual eligibility procedures. As I understand it, normally, for a school to become eligible for student aid, it must be operating for at least two years, be recognized by an accrediting body, and undergo an audit by a CPA to prove that it is solvent. But if a new operation wants immediate eligibility for student aid, all it needs to do is convince a school that is already eligible to identify it as one of its "branch campuses" and the eligibility automatically reverts to the new school. How widespread is this practice, to the best of your knowledge?

Answer: Although "branch campuses" is a convenient term to describe arrangements whereby a school enrolls students at more than one location, there are many different practices. To date, we have identified at least six different schemes. One-third of our known problems involve schools which provide Student Financial Assistance (SFA) funds to students at ineligible branches. It is too early to state definitively that this is a widespread abuse, but we are suspicious that it is. Another practice involves four-year colleges which have contracts with ineligible vocational schools. We are looking at data now to see if there is a systematic way to identify similar situations. The other four practices do not appear to be widespread at this time, but we are reserving judgment for now.

Question: Is this practice totally permissible under current laws and regulations?

Answer: There is more than one type of "branch campus" arrangement. Some of the arrangements are permissible including, for example, contracting for portions of educational programs. It is not permissible to provide SFA funds to students enrolled at ineligible campuses.

Question: Do the new schools commonly run their accreditation through other proprietary schools or traditional institutions?

Answer: We have identified some instances where ineligible schools have contracted with eligible schools, either proprietary or traditional, until they were in existence for two years and could become eligible on their own. There are other cases where proprietary schools branch out, then spin off the branches when they have been in existence for two years. We do not know how common these practices are.

Question: In your view, is there an easy way to distinguish between when a school is legitimately establishing a branch campus and when it is being done just to borrow another school's eligibility?

Answer: In one case, the contractual arrangement spelled out clearly that the joint venture would be in existence until the

ineligible school established eligibility in its own right. However, in many, if not most situations we have identified, the ineligible schools have not yet been in existence for two years, sothey have not split off. At this point, it is not easy to distinguish legitimate branches and contracts from bogus ones. As we study the issue, we hope to devise ways of analyzing the various arrangements.

Question: Do you believe that we should require all branch campuses to establish their own eligibility before participating in the student aid programs?

Answer: We believe there needs to be an eligibility process for all branch campuses; however, a streamlined process may be appropriate for those institutions demonstrating successful participation in the program; e.g., high placement rates and low default rates.

ADEQUACY OF DEPARTMENT'S ENFORCEMENT EFFORTS

Question: Do you believe it is easy for an institution to get a clean program review by the Department while still engaging in fraudulent practices?

Answer: Our understanding of the program reviews is that they are designed to monitor and help institutions, but not necessarily to detect fraud. However, at the request of the Office of Student Financial Assistance, we recently provided examples of indicators of fraud to be used in conjunction with their revised review guide. This guide should be issued soon, and we believe that these indicators will help the reviewers better identify fraudulent practice, even though it is not the focus of their reviews.

Question: What has your office done to encourage greater oversight and enforcement by the Department?

Answer: We are actively using the new non-procurement suspension and debarment regulations, which should provide a deterrent to others who are tempted to abuse the system. We also are meeting with other members of the Department on a weekly basis and are discussing the need for greater oversight and enforcement by the Department.

PROMOTIONAL CLAIMS OF PROPRIETARY SCHOOLS

Question: The Wall Street Journal article of two weeks ago made mention of some of the fraudulent claims that one proprietary school used in enticing students to enter its program. Do you, as part of your investigations, look into these promotional claims like when they claim a certain job placement rate or certain salary levels for their graduates?

Answer: Normally we would not look into promotional claims unless it was specifically part of a complaint. However, we do believe that the area of recruitment and commissioned salesmen is an important issue and is prone to abuse. We plan to review this area as one of our eight issues.

TUITION REFUND POLICIES

Question: As I understand it, current regulations dictate that the amount of a Pell grant the Government gets back when a student drops out is dependent on the refund policy of the school. If the school gives nothing back after three weeks of enrollment, then the Government gets nothing back. Does this kind of policy protect the taxpayer's interest?

Answer: A pro rata refund policy would result in the Government getting back more money when a student drops out. Also, if a school's income were going to be directly related to a student's ability to complete his education, the school may be less likely to mislead the student or abuse the regulations when applying the ability-to-benefit provision when enrolling a student. The school would also be more apt to support and encourage a student to stay on and complete his course. Current policy is much less effective in protecting the taxpayer.

Question: Why should we leave it to the institutions to decide how much money the Government gives back?

Answer: This area has normally been considered to be part of the accrediting body's responsibility, but this attitude may not be appropriate when dealing with vocational schools. It is our understanding that the Department is going to revisit the refund policy regulations.

Question: In your view, do we currently have a situation where schools are more interested in warm bodies with student loans than with graduating students from their program?

Answer: Although we do believe that there are many schools whose major concerns do not appear to be that of educating the student, we believe that the majority of schools are interested in graduating students from their programs and providing the student with an education.

BUDGET REQUEST

Question: Is an FTE level of 330 sufficient to do all necessary audit and investigative work with respect to Department of Education activities?

Answer: We have analyzed the universe of the Department programs, activities, program participants and recipients. This analysis indicates that to provide a minimum reasonable level of coverage of all programs on a cyclical basis, would require a staff of 500 (320 auditors, 145 investigators and 35 policy and planning staff).

This represents an increase of about 200 from our expected 1989 FTE usage. We have followed the policy in recent years of requesting incremental increases so as to have a more realistic chance of achieving budget increases needed. However, we still are at only 296 in 1989, and this is roughly where we have been since 1980.

MULTIPLE DATA ENTRY SERVICES

Question: Your office has been investigating the processing of Federal student aid and the procurement of Multiple Data Entry services. Can you summarize for us your impressions of the costs effectiveness of the current system?

Answer: We recently issued a management improvement report to the Assistant Secretary for Postsecondary Education which discusses cost saving opportunities we think are available to the Department in the procurement of the student financial aid processing services. We concluded that the Department had conducted its procurement activities in a manner which severely limited the opportunity to negotiate with prospective contractors for the Multiple Data Entry (MDE) services.

In our opinion, in the past the Department shortchanged its ability to negotiate more competitive prices with the contractors which submitted proposals because the Department sought to award a minimum number of contracts. Thus, each of the limited number of contractors bidding was assured of receiving an award on a noncompetitive basis. To correct this problem, we recommended that the Department award all contracts for form processing in a more competitive environment with no predetermined number of contracts to be awarded.

In addition, we estimated that the Department would realize a cost savings of about $1.6 million over the next three years by competitively awarding only one contract to develop and process a single multiple data entry form. The current system for procurment results in duplicative and noncompetitive development costs for systems performing the same function.

We also recommended the Department perform a detailed cost benefit analysis to determine the desirability of continuing to fund both the Multiple Data Entry and Application for Federal Student Finanical Aid systems for determining student eligibility. We recommended further that the Department seek the legislation necessary to establish a single, nationwide contractor for the processing of the multiple data entry form.

In a response dated April 18, 1989, the Acting Assistant Secretary for Postsecondary Education addressed many of the concerns we raised in our report. Principal among these are (1) the elimination of development costs associated with application forms of the various MDE agencies and (2) increased competition in terms of both vendors and price. Given these significant changes, we concur with the Department's approach of seeking an "optimal" number of MDE contractors after considering costs, student filing burden, and back up processing capability.

Question: Do the contracts for the current MDE servicers reflect competitive bidding procedures.

Answer: Although the contracts for the current MDE servicers were intended to have been awarded on a competitive basis, we concluded that the procurement process did not result in an effective basis for cost and price comparison among the prospective

MDE contractors. Instead, it resulted in excessive development costs for four MDE processing contracts. The Department's policy of awarding a minimum number of contracts assured the limited number of contractors who responded to the solicitation of receiving an MDE contract on a non-competitive basis. As a result, one of the contracts was awarded with an excessive fee.

The Department's policy of awarding a minimum number of contracts was based on an interpretation of Section 483(a) of Title IV of the Higher Education Act of 1965 which gives greater weight to reducing a student's financial application burden than to the reasonableness of costs incurred by the Federal Government. We were advised that the language of the section does not permit the Department to judge prospective MDE contractors on a lowest cost basis, but must be considered with the congressional intent of reducing the student's financial application burden.

In the past, based on the Department's interpretation and the limited interest of contractors in providing MDE services, all of the prospective contractors were assured of receiving a contract. Thus, some prospective contractors have no incentive to limit their proposed costs and fee to reasonable levels, nor any incentive to negotiate contract price.

We recommended that the Department award all contracts for MDE form processing in a more competitive environment with no predetermined number of MDE contracts to be awarded. By employing common prudent business practices, in that cost considerations should be a major factor in determining MDE awards, the Department could procure the MDE services on a more competitive basis, and could obtain costs savings by careful consideration of the issues that influenced previous awards.

Question: Do you believe that Federal student aid processing would be better and more cost effectively provided by a single, nationwide contractor?

Answers: We recommended that the Department seek the legislation necessary to establish a single, nationwide contractor for the processing of the multiple data entry form. A limitation to only one multiple data entry processor is a method available to the Department to avoid duplicative development costs. In the past, substantial portions of each contractors' development costs were necessary to permit each of them to adapt its existing computer system to meet the needs of the Federal student financial aid programs.

We estimate the Department would realize a costs savings of at least $1.6 million over the next 3-year multiple data entry cycle by competitively awarding only one contract to develop and process a single form. The current system for procuring multiple data entry services, as mandated by the existing legislation, results in duplicate development costs for systems performing the same functions. For the last procurement the Department paid $1.86 million over the 3-year period for the development of four separate and distinct student financial aid forms and for changes to four separate and distinct computer systems to process those forms, all of which perform the same functions.

Our estimated cost savings represent the difference between the actual development costs for four different multiple data entry forms under the current contracts, totaling $1.86 million, and the average development cost of the three multiple data entry contractors whose development costs were based on the 1985 solicitation guideline, averaging $230,000. We excluded the development costs of the fourth contractor from our average costs competition since its development costs were five times greater than any of the other contractors.

In a response dated April 18, 1989, the Acting Assistant Secretary for Postsecondary Education addressed many of the concerns we raised in our report. Principal among these are (1) the elimination of development costs associated with application forms of the various MDE agencies and (2) increased competition in terms of both vendors and price. Given these significant changes, we concur with the Department's approach of seeking an "optimal" number of MDE contractors after considering cost, student filing burden, and backup processing capability.

Office of the Secretary

Educational Research and Improvement

Office of Postsecondary Education

STATEMENT OF CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET, AND EVALUATION

ACCOMPANIED BY:

BRUNO MANNO, ACTING ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT

SALLY KIRKGASLER, DIRECTOR, POLICY DEVELOPMENT STAFF, OFFICE OF POSTSECONDARY EDUCATION

SALLY CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

ROBERT DAVIDSON, DIRECTOR, POSTSECONDARY ANALYSIS DIVISION, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET, AND EVALUATION

PREPARED STATEMENT

Senator Harkin. Next we will call again to the witness table, Mr. Charles Kolb, Deputy Under Secretary for Planning, Budget, and Evaluation, and the personnel accompanying him. Mr. Kolb, welcome again. Have you changed your address to 138 Dirksen yet? I think you and I ought to take up residency here.

Mr. Kolb is accompanied by, let me make sure I know everyone who is here. Bruno Manno, Acting Assistant Secretary for Educational Research and Improvement; Sally Kirkgasler, Director, Policy Development Staff, Office of Postsecondary Education; Sally Christensen, Director of Budget Service, who has been here before, Office of Planning, Budget and Evaluation; and Robert Davidson also has been here, Director of Postsecondary Analysis Division, Office of Planning, Budget, and Evaluation.

Mr. Kolb welcome again to the subcommittee. As before, your statement will be made a part of the record in its entirety. And I would ask you to proceed and summarize if you will please?

[The statement follows:]

STATEMENT OF CHARLES E.M. KOLB

President's Fiscal Year 1990 Budget

Mr. Chairman and Members of the Committee:

I am pleased to appear before you to discuss the 1990 budget proposals for Department of Education programs in the areas of postsecondary education and education research and improvement. The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs. The 1990 budget levels for these programs are the starting point of negotiations between the Administration and the Congress. Pending the outcome of these negotiations, however, we are treating the Reagan budget and supporting legislative proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

To offset necessary increases proposed in 1989 discretionary appropriations, the President is proposing a Government-wide across-the-board reduction of about 1.1 percent in 1989 appropriations for programs in the President's 1990 budget plan in the residual category. For the Department of Education, this means a total decrease of $185 million from the 1989 appropriated amount.

Student Aid

The 1990 budget proposed in January includes $8.8 billion for student aid programs, which would help provide more than $19 billion in loans, grants, and work-study assistance to over 6 million students.

The request made in January for Pell Grants, the largest and most need-targeted Federal student aid program, is $4.740 billion. The policy for Pell Grants is to fully fund a maximum award of $2,300 in academic year 1990-91, the same as in the preceding year, and include funding for less-than-half-time students. As a result of recent re-costing of these policies based on new economic assumptions, however, and new information about recoveries of prior year obligations, we have determined that the request includes an excess of $148 million. The Administration will, at a later date, formally seek to amend the budget, reducing the request for Pell Grants to $4.592 billion.

The budget proposes $452.9 million for Supplemental Educational Opportunity Grants and $610.1 million for Work-Study, the two campus-based grant programs. In academic year 1990-91, the aid available to students under both programs would increase significantly. From Supplemental Grants, aid would increase by $40 million due to the higher institutional match required by law as well as an appropriation level that is $14.9 million higher than for fiscal year 1989. The aid available to students under Work-Study would increase by $25 million due to a higher institutional matching requirement. In total, these two programs would make almost $1.3 billion in aid available to students.

In addition to these funding requests, the Department is proposing legislative changes that would eliminate for-profit enterprises, including proprietary schools, from eligibility as Work-Study employers. Subsidizing private businesses is an inappropriate use of Federal student aid resources and is unnecessary to ensure that needy students have the opportunity for part-time employment.

The budget proposes $20 million for new capital contributions for Income Contingent Loans, or ICLs. The increase of $15.1 million over the 1989 appropriation together with the institutional match would provide $21 million in new loans to 8,400 students. These students would benefit from the ICLs' flexible, income-sensitive repayment plans that would help students to avoid defaults and, because of their lower debt burden, would widen their options in choosing careers. Legislative changes proposed for ICLs would make graduate and professional students eligible to borrow, would lift the current 10-institution limit on participation, and allow consortia of institutions to participate.

For Perkins Loans the budget request is $22 million to cover only loan cancellation payments. No new Federal capital is requested for Perkins Loans because these loans are very highly and unnecessarily subsidized by the Federal Government. Even without new Federal capital, however, the existing institutional revolving funds are expected to support approximately $751 million in new loans to about 702,000 student borrowers.

No funds are requested for the State Student Incentive Grants program, which long ago accomplished its goal of stimulating all States to establish need-based student grant programs. All States now have grant programs; most spend far more than is required to match Federal funds; and, in fact, State expenditures in this area have increased in recent years by 6 to 11 percent per year, even as Federal funding for incentive grants has dropped or remained level. Clearly, there is substantial State-level commitment regardless of Federal funding.

This year we are requesting $3.025 billion to meet the costs of Guaranteed Student Loans in fiscal year 1990, excluding the effects of the Administration's credit reform proposals. This request includes $62.5 million more than the January Reagan budget, based on new 91-day Treasury bill rate projections. In fiscal year 1989, we are requesting an amended supplemental appropriation of $892.4 million, including $330 million for FY 1988 program costs and $562.5 million for program costs in the current year, due primarily to revised Treasury bill assumptions.

Reducing defaults is the major feature of our proposals related to the Guaranteed Student Loan program. Although GSLs continue to be an effective mechanism for financing postsecondary education--over 4.6 million students and their parents will receive over $12.4 billion in loans in fiscal year 1990--the costs to the taxpayer of defaults have increased alarmingly. Over half of our budget request--$1.9 billion--will be needed to pay for defaulted loans. We will continue our increased efforts to collect on defaulted loans. We are also proposing program modifications to reduce the cost of Federal defaults and interest subsidies without affecting the availability of loans. For example, we believe that lenders and

guarantee agencies should share some of the risk associated with defaults. To this end, we would reduce the default payments made to lenders and the reinsurance paid by the Federal Government to guarantee agencies. This would provide some financial incentive for lenders and agencies to pursue collections and to intensify their efforts in default prevention. We would also reduce the annual special allowance to lenders by .25 percentage points, to the quarterly T-bill rate average plus 3.0 percent--still an adequate rate to ensure lender participation.

As part of these default reduction proposals, we would also require lenders to be more careful in evaluating the credit-worthiness of students and parents, and we would require borrowers to provide adequate information to facilitate the recovery of future defaults, should they occur. In addition, we propose to eliminate the prohibition on the use of the National Student Loan Data System to verify borrower eligibility. This system, which would maintain records of all transactions in the GSL and Perkins Loan programs, could be used as an effective default prevention and collection tool if the prohibition were lifted.

Other Postsecondary Programs

For other higher education programs we are emphasizing activities that enhance postsecondary education opportunities for disadvantaged individuals. For example, the TRIO program would be funded at over $228 million, an increase of $9 million, to encourage approximately 525,000 disadvantaged students to begin and to complete their postsecondary education. The increase would ensure that students are afforded the same level of services despite increased costs.

For Title III of the Higher Education Act, the request in January was $180.5 million for institutional development of historically Black colleges and universities, or HBCUs, and other needy postsecondary institutions. In addition, President Bush is proposing a special set-aside of $10 million for endowment challenge grants to be available only to HBCUs. This would be a five-fold increase over the current amount received by HBCUs for endowments, and would provide these unique institutions with a special opportunity to build long-term financial security.

President Bush is also proposing $5 million to support a National Science Scholars program to provide high school seniors who excel in science and mathematics with scholarships of up to $10,000 a year for each year of undergraduate study. These scholarships would recognize academic achievement and encourage the recipients to continue their studies in science, mathematics, and engineering. The National Science Scholars program will show students that there are immediate, tangible rewards for excellence and will encourage growth in the supply of American scientists and engineers, helping to improve our competitiveness in world markets.

Education Research and Improvement

One of the Federal Government's most important responsibilities in education is to encourage innovation, to collect data and support experimentation whose results help States and localities find out what can work in their schools. President Bush is proposing, as one

of his new initiatives, $13 million in new resources for Experiments for Educational Achievement. Experiments and new data collection would address the full spectrum of elementary and secondary education issues, among them: teaching and learning methods, school organization and management, serving populations with special needs, and integration of higher order skills into school curricula. These experiments would be school-based, practical efforts to determine what strategies will improve education in given situations.

The budget for Education Research and Statistics submitted by President Reagan in January is $88.3 million, an increase of 13 percent over the 1989 appropriation. These funds would support the continuation and expansion of many ongoing activities to provide information on the condition of education; successful programs and practices; and ways to solve educational problems and improve educational performance. Among the new research activities the budget would support are small R&D centers to study the teaching and learning of geography, civics, and foreign languages; more field-initiated research; improvements in ERIC; and additional dissemination of education information.

The budget also includes an increase of $2.6 million for the National Assessment of Educational Progress. A trial State-level assessment in mathematics at the eighth grade level is to be conducted in 1990. An increase of $3.6 million for statistics would support the planned expansion of current activities of the National Center for Education Statistics, including those initiated in 1989 pursuant to mandates in the Hawkins-Stafford Amendments.

For library programs, the January budget includes $137.2 million to support activities proposed in the Library Services Improvement Act, new legislation transmitted to the Congress by the Secretary on March 16. Library services are now available to virtually every community, with only about 4 percent of the Nation's total spending on libraries coming from the Federal Government. It is time to focus Federal support on specific needs--providing more and better library services to disadvantaged and handicapped persons; expanding resource sharing so that library users have access to more materials; and conducting more research and assessment directed at improving the quality of library services.

I have discussed the new initiatives proposed by President Bush and the highlights of the budget proposed in January by former President Reagan, and would like to insert for the record more detailed statements on the individual programs you have before you today. My colleagues and I would now be pleased to answer any questions you may have about either set of proposals.

Student Financial Assistance and Guaranteed Student Loans

It is a pleasure to be here to discuss the budget for the Student Financial Assistance and Guaranteed Student Loan accounts. The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, which includes the Student

Financial Assistance account. The 1990 budget levels for these programs are subject to negotiation between the Administration and the Congress. Pending the outcome of negotiations with the Congress, however, we are treating the Reagan budget proposals and supporting legislative proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

Former President Reagan's budget request for fiscal year 1990 is $8.8 billion, which will provide in excess of $19 billion to needy postsecondary students. This budget will help assure the accessibility of a postsecondary education to the financially disadvantaged by providing 10,066,000 awards to an estimated 6,028,000 students.

Pell Grants

The Pell Grant program request is $4.7 billion, an increase of $256.1 million over the 1989 appropriation, in order to fully fund the Pell Grant program at a maximum award level of $2,300. This request sustains the maximum award in effect for 1989-90 and includes funding for less-than-half-time students, both of which demonstrate the Department's commitment to maintaining grant support for the neediest students. As a result of recent re-costing of these policies based on new economic assumptions, however, and new information about recoveries of prior year obligations, we have determined that the request includes an excess of $148 million. The Administration will, at a later date, formally seek to amend the budget, reducing the request for Pell Grants to $4.592 billion.

Supplemental Educational Opportunity Grants

The budget request for the Supplemental Educational Opportunity Grant program is $452.9 million, an increase of $14.9 million over the 1989 appropriation. The aid available under this program would increase by $40.0 million in academic year 1990-91 compared with that available in academic year 1989-90, due to the higher institutional match required by statute as well as the increased appropriation level. The Federal funds, along with the required institutional match, would provide grants averaging $700 to 688,000 students.

Work-Study

The fiscal year 1990 request for Work-Study is $610.1 million, the same level of funding as in 1989. However, total aid available to students would increase due to a greater institutional matching requirement mandated by authorizing legislation. Thus, in academic year 1990-91, the total aid available under the Work-Study program would increase by $25.0 million to a total of $805.0 million. A total of 895,000 students would receive earnings averaging $900 per student.

Additionally, legislative proposals would eliminate for-profit enterprises, including proprietary schools, from eligibility as Work-Study employers. Students attending proprietary schools and employed by non-profit organizations would retain their eligibility for federally subsidized Work-Study

jobs. Subsidizing private businesses is an inappropriate use of Federal student aid resources and is unnecessary to assure the availability of adequate part-time employment opportunities for needy students.

Income Contingent Loans

For the Income Contingent Loan (ICL) program, the budget proposes $20.0 million in new capital contributions for fiscal year 1990. This amount, an increase of $15.1 million over the 1989 appropriation, when supplemented by institutional matching contributions, would provide approximately $21 million in new loans, averaging $2,500, to approximately 8,400 student borrowers. Two important program changes are being proposed in order to facilitate institutional access and broaden institutional choice to postsecondary students. The first would make graduate and professional students eligible to borrow. The second proposed change would remove the current 10-institution limit on partipation and permit consortia of institutions to participate.

Enhanced access to these loans is an important element in the effort to reduce defaults. This program avoids the repayment burden problems associated with traditional short-term, equal-installment payment schedules. Also, the flexible income-sensitive repayment plans avoid discouraging students from pursuing careers in low-paying fields.

Perkins Loans

The 1990 budget does not request new Federal capital for the Perkins Loan program, since these loans provide substantial and unnecessary Federal interest subsidies. However, institutions choosing not to participate in the ICL program may continue to make Perkins Loans from their revolving funds. These funds would provide approximately $751 million in new loans to about 702,000 student borrowers in 1990-91.

Also, the Department must reimburse institutions for certain loan cancellations: $22 million is requested to meet these entitlements in fiscal year 1990.

State Student Incentive Grants

No Federal funding for the State Student Incentive Grant program is requested for fiscal year 1990. The program goal of stimulating all States to provide need-based grants to postsecondary students has been accomplished. All States now have grant programs, and most States considerably overmatch the Federal contribution. For example, of the 41 States that overmatched Federal funds in 1987-88, most provided more than double the amount of need-based student grant aid required to match Federal funds. State expenditures have continued to expand even as Federal funding for SSIG has declined or remained level. This expansion rate of 6 to 11 percent per year in recent years suggests a considerable commitment at the State level and indicates that Federal funds are no longer necessary to encourage States to provide need-based student financial assistance.

Guaranteed Student Loans

This year we are requesting $3.025 billion to meet the costs of the Guaranteed Student Loan account in fiscal year 1990, excluding the effects of the Administration's credit reform proposals. This request includes $62.5 million more than the January Reagan budget, based on new 91-day Treasury bill rate projections. In fiscal year 1989, we are requesting a supplemental appropriation of $892.4 million. The funding request for 1989 reflects $562.5 million more than the Reagan budget, also due to revised Treasury bill assumptions.

We believe Guaranteed Student Loans continue to be an effective mechanism for financing postsecondary education. Nearly 5 million students and their parents will receive over $12.4 billion through the Stafford Student Loan, PLUS and the Supplemental Loans for Students (SLS) programs in fiscal year 1990. The cost of supporting the Guaranteed Student Loan programs, after taking into account the receipt of students' loan origination fees, will be approximately $1.8 billion in subsidies for interest and special allowance.

Default Costs and Collection Efforts

While interest and special allowance costs have been restrained over the past several years due to the improved economy, the costs of defaults have increased alarmingly. The gross default rate for all Guaranteed Student Loans is expected to increase from 13.6 percent in fiscal year 1988 to 14.8 percent in fiscal year 1990. Of the $3.025 billion we are requesting for fiscal year 1990, well over one half, $1.9 billion, will be needed to pay for loans that have gone into default. If Stafford Loan defaults constituted a separate program, it would be the Department's third largest in terms of funding.

The Department has taken a number of actions to improve collections on defaulted loans. In fiscal year 1988 we received $495 million in collections, $32 million more than in fiscal year 1987 and $129 million more than in fiscal year 1986. We have taken numerous steps to make the collection apparatus more efficient and cost effective. Improved practices by some guarantee agencies have also proven to be successful. However, increasing efforts to collect on defaulted loans will not, by themselves, solve the default problem. These increasing default costs undermine public confidence in the program, take scarce public resources from other student aid programs, and deprive future students of Federal student aid as more and more of the available resources are diverted to pay bad debts. Consequently, we are proposing modifications to the program designed to reduce program abuse.

Proposals to Reduce Default--Risk Sharing

The 1990 Reagan budget proposed that lenders share some of the responsibility for defaults by reducing the amount of default payment the lender would receive from 100 to 90 percent. This would result in increased commitment on the part of the lender to pursue greater collection diligence before filing default claims.

The budget proposes to revise the current "trigger system" formula, which provides for a reduction of reinsurance payments to a guarantee agency dependent upon default experience in the agency's State. The new formula would take agency collections into account and apply the reinsurance reduction to a full fiscal year. In addition, overall reinsurance payments would be reduced by 10 percent, from 100/90/80 percent to 90/80/70 percent depending on default experience. This would result in greater liability for agencies which permit high rates of defaults in their States and encourage improvements in default prevention.

The 1990 budget proposes to reduce the annual special allowance subsidy payments to lenders by .25 percent. The lender's annual yield on new loans would be equal to the quarterly 91-day Treasury bill rate average plus 3.0 (instead of 3.25) percent. This proposal would reduce Federal Government subsidy costs and unnecessary lender profits. Lenders obtain variable yields over the entire life of the loan, thus eliminating interest rate risk, while also benefiting from insurance against default. The new special allowance interest rate would still be adequate to assure lender participation.

Additional Proposals to Reduce Defaults

Current law authorizes the establishment of a National Student Loan Data System to maintain certain records of all transactions in the program. A condition of its implementation is the prohibition against mandatory use of the data base to determine borrower eligibility. We are proposing to eliminate this prohibition on its use so that loan limits could be more easily enforced and defaulters could be prevented from receiving further student aid. We are requesting funds for the system only on this basis.

The 1990 budget proposes to delay disbursement of loans to first-time borrowers for 30 days from the student's first day of classes. This would help reduce the inordinately high rate of default by students who withdraw during the first few weeks of classes.

In the Guaranteed Student Loan program, we permit individuals to borrow over $50,000 without ever reviewing their credit histories. That's bad business. Therefore, the 1990 budget proposes to require lenders to check routinely the credit histories of PLUS borrowers, and of all Stafford Student Loan and SLS borrowers age 21 or older, just as they would with other borrowers. If the borrower has a poor credit history, the loan could be granted only if a credit-worthy cosigner were obtained. Students with no credit history would not be required to have a cosigner.

We propose requiring institutions to collect more information when a student leaves the school that would assist in locating the borrower. This information would include the driver's license number, address of next of kin, and the borrower's expected address upon graduation, and the name and address of their expected employer.

These 1990 budget proposals along with those we will be presenting to improve accountability in the other student financial assistance programs will help reduce the default problem by lessening the likelihood of defaults.

My colleagues and I will be pleased to respond to any questions members of the Committee may have on our budget request.

Higher Education and Postsecondary Facilities

Thank you for the opportunity to present the fiscal year 1990 budget request for the Higher Education and postsecondary facilities accounts. The budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, which includes these accounts. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals and supporting legislative proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

The 1990 budget request totals $541.8 million, $53.7 million less than was appropriated for fiscal year 1989. The request for fiscal year 1990 by account is $536.6 million for Higher Education and $5.1 million in budget authority and no new borrowing authority in College Housing and Academic Facilities Loans. No funds are requested for Higher Education Facilities Loans and College Housing Loans. In addition, President Bush is proposing two new initiatives under the Higher Education account totalling $15.0 million, which I will discuss later in this statement.

The emphasis of the request is on the Federal commitment to address the postsecondary education aspirations of poor and disadvantaged individuals. To meet this commitment, the budget proposes to focus additional Federal resources on programs that promote educational opportunities for these disadvantaged individuals. The budget also proposes to increase funds to support historically black colleges and universities in their mission of serving disadvantaged and minority students and providing support services and financial assistance for these students.

In addition, the request includes funding to stimulate excellence and quality in postsecondary education, and to meet mandatory interest subsidy costs of construction loan commitments made in prior years.

The Higher Education account has historically funded a number of small programs which are overly narrow in scope, have already demonstrated the effectiveness of a particular educational approach, or which duplicate other programs. It is proposed that these programs be phased out over the next several years so that resources can be reallocated to higher priority education

activities. Other programs have also been proposed for elimination in fiscal year 1990.

Aid for Institutions

President Reagan's fiscal year 1990 request includes $180.5 million for Title III of the Higher Education Act, which provides support for institutional development and endowment building. These programs help institutions which enroll substantial numbers of disadvantaged individuals. The funds appropriated for these programs are used by participating institutions to solve problems that threaten their ability to survive, stabilize their management and fiscal operations, and enable them to become financially independent.

From its inception, the programs authorized under Title III have played a key role in assisting the Nation's historically black colleges and universities (HBCUs). These institutions were the primary source of postsecondary education for blacks prior to the Supreme Court's desegregation ruling, and they continue to play an important role in enhancing educational opportunity and access for the disadvantaged. Because of student preference, location, low tuition and institutional mission, HBCUs continue to enroll a large number of blacks and other minorities. In recognition of the critical role which these institutions play in our Nation's system of higher education, the budget proposes to increase support to HBCUs under the Part B, Title III programs from the fiscal year 1989 level of $84.5 million to $87.3 million for 1990. The 1990 request includes $11.2 million for the five historically black graduate institutions, an increase of $370,000 over 1989.

The budget request for Title III also includes $80 million for new and non-competing continuation grants under the Strengthening Institutions program (Part A) in order to help institutions serving disadvantaged populations. Federal funds are used to help institutions stabilize their management and fiscal operations, formulate and expand their academic programs (including acquiring equipment for use in these areas), develop faculty, and provide student services. Like HBCUs, the institutions served by this program provide access to higher education for many low-income and minority students.

In addition, the Reagan Budget included $13.1 million for the Endowment Grant program. This request will enable institutions participating in the other Title III programs to build endowments so that they can become financially independent and no longer need Federal assistance under Title III to operate. President Bush, in his February 9 budget message, indicated he will seek an additional $10 million under the Endowment Grant program that will be reserved solely for HBCUs. These funds will provide HBCUs with a unique opportunity to launch new fund-raising campaigns to generate increased non-Federal support. This, in turn, will further assist the disadvantaged and minority students served by HBCUs.

Closely related to the Title III program is the Minority Science Improvement program (MSIP) for which $5.5 million is requested for fiscal year 1990, an increase of $180,000 over the

1989 appropriation. This program provides grant assistance to minority institutions to enhance their capacity to develop and maintain quality science education programs, and to increase the flow of under-represented minorities into the fields of science, math, and engineering. MSIP has and will continue to play a key role in assuring adequate access to quality postsecondary education by strengthening instruction and research at predominantly minority institutions of higher education, including HBCUs, and supplementing the assistance available under Title III and other Federal programs.

In addition to funds for MSIP and Title III, $1.6 million is requested for the Urban Education Foundation, which provides education and training programs for low-income and minority individuals.

Aid to Students

The Special Programs for the Disadvantaged, commonly referred to as the TRIO programs, provide services to promote access to and retention in postsecondary education for individuals from disadvantaged backgrounds. The request for these programs in fiscal year 1990 is $228.2 million, which is an increase of $8.9 million over the 1989 appropriation. This request would support all six of the currently-funded programs under the TRIO authority--Student Support Services, Upward Bound, Talent Search, Educational Opportunity Centers (EOCs), Ronald E. McNair Post-baccalaureate Achievement program, and Staff Training. These programs complement the financial assistance available to disadvantaged students by providing services designed to identify, motivate, and assist them to develop the necessary skills to complete high school, and enter and complete postsecondary and graduate education. In addition to funding for these programs, $1.5 million is requested to conduct evaluations of the two largest programs: Upward Bound and Student Support Services. These evaluations are planned to ensure that Federal funds are effectively assisting as many students as possible.

Funds are also requested to support a number of other programs which assist disadvantaged and minority students. These programs are Patricia Roberts Harris Graduate Fellowships, Minority Participation in Graduate Education, and Legal Training for the Disadvantaged. These three programs, for which a total of $21.8 million is requested, help enable low-income students and students from traditionally under-represented groups pursue graduate or professional study by providing support services and targeted financial assistance.

In addition, support is requested for the School, College and University Partnerships program. This program, for which $2.9 million is requested, encourages partnerships between institutions of higher education and secondary schools serving low-income students. The program supports projects at public and private non-profit secondary schools that improve the academic skills of students, increase their opportunity to continue a program of education after high school, and improve their prospects for employment after high school.

Funds are also sought for Student Literacy Corps in the amount of $5.1 million. This program, first funded in fiscal year 1989, is intended to promote the development of literacy corps programs at institutions of higher education. Under this program, institutions receive up to $50,000 to pay administrative costs and stipends for student coordinators. Participating undergraduate students receive academic credit for courses in which tutoring a minimum of six hours per week is required.

In addition to supporting the programs discussed above which serve primarily to equalize educational opportunity, the budget proposes support for the Robert C. Byrd Honors Scholarship program, which serves to enhance quality of education. This program is designed to recognize high school students who have demonstrated outstanding academic achievement and show promise of continued academic success and to provide financial assistance to encourage these students to attend college. The fiscal year 1990 request for this program is $8.5 million, an increase of $279,000 over the 1989 appropriation. President Bush is also proposing a new initiative designed to encourage talented students to pursue academic careers in the sciences, mathematics or engineering. Under his National Science Scholars program, successful high school seniors would be awarded scholarships of up to $10,000 per year for four years of postsecondary education as long as they major in the sciences, mathematics or engineering and show continuing excellent performance. An appropriation of $5 million will be requested for fiscal year 1990 for this program.

Funds are also requested for the Jacob K. Javits Fellowship program and the Graduate Assistance in Areas of National Need program. These programs are proposed for elimination, but funds are requested to provide for a phase out over a period of several years. Since these two programs duplicate a number of Federal and non-Federal graduate programs, for these two programs, $17.7 million is requested for fiscal year 1990, $3 million less than the 1989 appropriation.

Strengthening Postsecondary Quality

In addition to supporting programs designed to enhance educational opportunity, the Federal Government can play a key leadership role in improving the quality of offerings at institutions of higher education. To support this role, continued funding of two programs is sought--the Fund for the Improvement of Postsecondary Education and International Education.

For the Fund for the Improvement of Postsecondary Education, a total of $11.9 million is requested, which is the same as the fiscal year 1989 appropriation. This amount is sufficient to fulfill the Federal Government's role in stimulating improvements in the quality of higher education without intruding on institutional prerogatives.

The International Education programs provide for a number of different activities which have as their goal improving the quality of foreign language and area studies instruction in schools and colleges in the United States. In addition, these programs help fulfill significant trade, defense, diplomatic, and security needs of the United States, by strengthening and

broadening scholarly expertise in foreign language, area studies, and international issues. The fiscal year 1990 request for these programs is $30.3 million which is $0.7 million less than was appropriated for fiscal year 1989. The reduction reflects the proposed elimination of the International Business Education Centers program first funded in fiscal year 1989, which duplicates other international business programs supported by the Department and other Federal agencies.

Postsecondary Facilities

In addition to the programs discussed above, the Reagan budget proposed supporting other programs which have mandatory costs. These programs are: Interest Subsidy Grants (in the Higher Education Account) and College Housing and Academic Facilities Loans (in the separate account).

Under the Interest Subsidy Grants program, the Federal Government entered into grant agreements with institutions of higher education to help them construct academic facilities. These agreements were made between 1970 and 1973, and obligated the Department to pay the difference between 3 percent and the commercial lending rate at the time of commitment. The 1990 request for this program is $22.7 million.

For the College Housing and Academic Facilities Loans program, the Reagan budget requested $5.1 million in appropriations and no borrowing authority for new loans. This program, which is contained in a separate budget account, is only partially self-financing since the amount of interest paid by borrowers is currently less than the amount the Department must pay Treasury for capital borrowed to finance loans. Because of this interest shortfall, the Department must request an annual appropriation.

No new loan authority is proposed for fiscal year 1990. General purpose college construction is a low Federal priority, particularly since construction financing is available through alternative sources. In addition to existing sources of private funding, the College Construction Loan Insurance Association, authorized by the Higher Education Amendments of 1986, will soon begin assisting colleges and universities in the financing of construction or renovation of housing and academic facilities.

No appropriations are required for either the College Housing Loans or Higher Education Facilities Loans program. Activities for these programs are limited solely to managing and closing out loans made prior to 1987. However, legislation will be proposed to repeal the prohibition of loan asset sales contained in section 783 of the Higher Education Act of 1986, as amended, for loan obligations under these programs. Proceeds from loan asset sales, estimated to be $261 million, will be used to reduce the outstanding balance and interest payments to the Treasury, and also to reduce the overall 1990 Federal deficit.

Other Higher Education Programs

The 1990 request proposes elimination of several programs in the Higher Education account. These programs have either fulfilled their original purpose, provide services available from

other programs, or are not fundamentally a Federal responsibility. These programs are low priority and should be eliminated to help reduce the Federal deficit and to focus Federal expenditures on more critical areas.

The Cooperative Education and Law School Clinical Experience programs have fulfilled their original purposes. These programs have demonstrated the soundness of cooperative education and clinical legal education. The effectiveness of these educational methodologies has been well documented, many institutions provide such services without Federal funding, and the institutions themselves would continue these programs without Federal support.

The Veterans' Education Outreach program has outlived its original purpose, which was to address the special higher education needs of large numbers of returning Vietnam veterans. The smaller number of veterans now enrolled in institutions will find the services which they require already available through general counseling and support service programs. For this reason, no funds are requested for this program in fiscal year 1990.

A number of other fellowship and scholarship programs, including Patricia Roberts Harris Public Service Fellowships and Paul Douglas Teacher Scholarships, duplicate several other programs administered by the Department and other Federal agencies, and are poorly designed or have fulfilled their purposes. These programs, therefore, are also proposed for elimination.

Finally, no funds are requested for Innovative Community Services; Assistance to Guam; the Robert A. Taft Institute of Government; and Academic Facilities Grants. These are all non-essential and low priority. Moreover, these activities are more properly the responsibility of colleges and universities, State and local governments, and private sector users and beneficiaries of higher education services.

Again, thank you for the opportunity to appear before you today in support of the budget request for the Higher Education and related accounts. My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF BRUNO VICTOR MANNO

Education Research and Statistics

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you to present the fiscal year 1990 budget for Education Research and Statistics.

As you know, public concern about education in America has grown throughout the 1980s. Since 1983, when the National Commission on Excellence in Education announced that our Nation was "at risk," most of the 50 States have raised graduation requirements, many have revamped their student assessment programs,

and most have established teacher-testing policies. Thousands of pieces of legislation have been passed or considered in hopes of improving the performance of schools.

Yet despite all this activity--despite the most ambitious education reform movement in U.S. history--only marginal advances in student learning have resulted. One reason: information on education policies and practices has been scant, spotty, sometimes not even available. Although recent years have seen the Nation's statistical data base strengthened, the sad truth is that too often state-of-the-art information has not gotten into the hands of people who make decisions about schools.

Today and in the years ahead, Americans face a host of important education-related decisions: What programs work best for at-risk students? Which early childhood education programs are most effective? What levels of literacy are needed for success in the workplace and society? What changes are needed if schools are to produce internationally competent graduates? What forms of school organization and management work best? Which methods of instruction are linked to the greatest gains in student learning? How can education options and choices be expanded for students and parents?

Never have so many urgent issues converged on education decisionmakers. Never has the task of providing Americans with information on the "condition and progress of education" been so important. That responsibility, as defined by Congress in 1867, is one of the oldest and most central Federal roles in education. Today, the charge to carry it out lies primarily with the Office of Educational Research and Improvement (OERI).

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives and a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for the current Education Research and Statistics programs are subject to negotiations between the Administration and Congress. Pending the outcome of negotiations with Congress, we are treating the Reagan budget proposals for these programs as if they were Bush proposals.

Our total request for supporting research, statistics, and assessment, $101.3 million, is $23.1 million more than the fiscal year 1989 appropriation, a 30 percent increase. Viewed beside increases sought for several other programs--$150 million more for Chapter 1 (which for concentration grants alone includes a 52 percent increase, or an additional $90 million) and $256 million more for Pell Grants, for instance--this $23.1 million is a modest addition. But it is important. It reflects a growing recognition that more and better information is vital to improving schools across the U.S.

I would like to begin a more detailed discussion of our request by outlining the initiative that President Bush is proposing for Education Research and Statistics.

Expanding Experiments in Educational Achievement

The President is requesting $13 million in Education Research and Statistics funds for Expanding Experiments in Educational Achievement. These new resources would be used to support experiments in educational innovation to help States and local school districts find out what will work in their schools. Experiments would be designed to address innovation and reform across the full spectrum of elementary and secondary education issues: teaching and learning methods, school organization and management, problems of populations with special needs, parental choice, mathematics and science curriculum design, integrating higher order skills into school curricula, improving early childhood education programs, and others. Some of the funds might be used for new data collection in support of school reform.

Reagan Budget

Now I will turn to the proposals contained in the budget submitted by former President Reagan.

School reform goes nowhere without good information. Research and data collection are pivotal to strengthening curricula, improving teaching, or designing accountability programs that measure and reward accomplishments while identifying problems. OERI, with resources provided under the Education Research and Statistics account, is the hub of education research and information, not just for the Department of Education, but for the Nation. President Reagan's budget includes $88.3 million for Education Research and Statistics, an increase of 13 percent over the 1989 level, to support OERI's research, statistics, assessment, improvement, and dissemination activities.

Research

Research funds, which support a variety of activities, are administered by three OERI components, the Office of Research (OR), Programs for the Improvement of Practice (PIP), and Information Services (IS). OR supports scholarly work of individuals and institutions seeking to advance knowledge about educational practice and to solve, eliminate, or illuminate specific education problems or issues. The Office supports basic and applied research and analyses of Federal, State, and local education policies. The mission of Programs for the Improvement of Practice is to narrow the gap between what is known and what is done in American education. PIP aims to ensure that education data, research findings, and exemplary practices are easily accessible to parents, teachers, school administrators, and others trying to improve education. Information Services is OERI's main arm for assuring that those who need good and usable information about education get it.

President Reagan's budget includes $51 million for the Research program. A total of $42.75 million would go to existing research and development centers, regional education laboratories, and ERIC clearinghouses; to fund new mini-centers to study teaching and learning of geography, civics, and foreign languages; and to pursue improvements to strengthen the ERIC system. This amount is $2.3 million more than the authorizing statute requires be spent on the center, laboratory, and ERIC programs.

As a start to achieving a better balance in OERI's research portfolio, the Reagan budget includes $1 million for field-initiated research, double the amount mandated in the authorizing statute and double the amount available in 1989. This program supports studies proposed by individual researchers in the field.

Finally, President Reagan's budget includes $7.2 million for a variety of other research activities, including grant programs on mathematics, science, and literature (these build on the work of the expiring mini-research centers on these topics) and four new projects on parental decision-making and involvement in school programs, with particular focus on families of educationally disadvantaged students. The improvement activities included in this portion of the Reagan budget are a continuation of the urban superintendent's network and the evaluation of State accountability systems; a follow-up on last year's Youth Indicators publication; and four new improvement projects, one to help school districts solve common problems affecting implementation of choice plans, one to help administrators create achievement-oriented school environments and identify skills common to successful teachers, one to collect and disseminate information on what currently constitutes the postsecondary core curriculum and how colleges and universities develop their own, and one to assist school administrators and policymakers in reducing dropouts through identifying successful programs and adapting them to local conditions. Finally, the dissemination activities included are printing and technology and telecommunications programs aimed at widening dissemination of education information.

Statistics

The 19th century statute creating a Federal education agency called on it to provide the Nation with regular information on "the condition and progress of education." The National Center for Education Statistics is responsible for carrying out this longstanding—and increasingly important--job. And it has been doing it much better in the last few years, following a bluntly critical 1986 evaluation by the National Academy of Sciences, and joint effort by Congress and the Reagan Administration to rebuild the Center.

The Center collects, analyzes, and reports statistics on education at all levels in the United States, and also provides leadership in developing and promoting the use of standardized terminology and definitions for the collection of education statistics. Its major products include The Condition of Education and Digest of Education Statistics, as well as many other statistical reports, announcements, and bulletins.

President Reagan's budget includes $25.3 million for the Statistics program to continue the reconstruction of the education data base. All of the funds are for the continuation of programs already begun. No new programs are included.

Let me describe just a sample of NCES programs that enable policymakers to make informed decisions and the general public to hold schools accountable. The Schools and Staffing Surveys program will begin in 1990 implementation of a second cycle of data collection on teacher demand and shortages, teacher turnover, and

characteristics of schools and staff. The program will also complete administration of the first teacher follow-up survey. As with other NCES studies, increased attention will be paid to private schools, as well as to State representative data. The National Education Longitudinal Study of the Eighth Grade Class of 1988 is the latest in the Center's series of longitudinal studies and will provide data on who drops out, when, and why; characteristics of schools, teachers, and students; student achievement and progress over time; postsecondary education and career choices; and persistence in postsecondary institutions. The National Postsecondary Student Aid Study will continue to provide data on financial aid and characteristics of both recipients and non-recipients, as well as information on parents. This study is the only national source of data in this key area.

Assessment

Another prime example of a program that can help policymakers make informed decisions and the general public hold schools accountable is the National Assessment of Educational Progress, also administered by the National Center for Education Statistics. NAEP is the only nationally representative assessment of what American students know and can do. Its principal goal is to determine and report the status and trends over time in educational achievement, subject by subject.

President Reagan's budget includes $12 million for the Assessment program. In addition to the nationally representative assessments of the performance of students at ages 9, 13, and 17 and in grades 4, 8 and 12 in 1990, trial assessments must be done at the State level. The State representative assessments in 1990 will be limited to assessments of the performance of students in grade 8 in mathematics.

Libraries

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan, which includes specific recommendations for education initiatives, and also includes a freeze at the 1989 outlay total for a group of mostly discretionary domestic programs, including this account. The 1990 budget levels for these programs are subject to negotiation between the Administration and Congress. Pending the outcome of negotiations with Congress, however, we are treating the Reagan budget proposals as if they are Bush proposals. We hope many of them wind up in the eventual compromise budget solution.

Fiscal Year 1990 Budget

The Reagan budget for Libraries builds on the Federal Government's successful effort during more than three decades to bring library services to most localities in the Nation. All of us can take satisfaction in the accomplishments of, first, the Library Services Act and, more recently, the Library Services and Construction Act.

Now it is time to declare victory and refocus our efforts on those areas where needs remain large, resources remain small, and

the Federal Government is in the best position to help. Libraries and well-trained librarians were few and scattered, 30 years ago. This is no longer the case. Likewise, funding from State, local, and private sources was modest. But this, too, has changed, so much so that the $137 million the Federal Government currently spends on libraries represents less than 4 percent of all library spending nationwide for public libraries alone.

Putting the matter directly, national conditions have changed and Federal policy needs to change accordingly. The biggest contribution Washington could make would be to target better what can never be more than its comparatively tiny financial contribution.

The Reagan budget includes $137.2 million, the same as the 1989 appropriation, to support the new activities to be authorized under proposed legislation. The proposed legislation, called the Library Services Improvement Act, consists of three titles: Title I, which would help to provide library services for economically disadvantaged and handicapped persons; Title II, which would encourage resource sharing among all types of libraries; and Title III, which would improve the overall quality of library service delivery through library research and assessments.

Services to the Disadvantaged

An important mission of the Department of Education is to foster equal opportunity by promoting literacy among disadvantaged Americans. Although libraries may be the most effective self-help resource available, disadvantaged individuals frequently do not use them to their maximum advantage. Now that libraries can be found in virtually every community in the Nation, encouraging their use to enhance educational opportunities for economically disadvantaged and handicapped persons is an appropriate Federal role.

Title I of the proposed Library Services Improvement Act would allocate funds to the States through a formula-grant program designed to support local library projects that would provide new or expanded library services to economically disadvantaged or handicapped persons. Within this broad program purpose, States would work with both urban and rural communities in setting priorities in light of specific needs. Examples of possible projects that could be funded include adult basic education in cooperation with local schools, adult literacy training and English instruction in the local public library, afterschool homework programs, summer reading programs, programs for latchkey children, specialized training for librarians, and the purchase of large-print books and other special materials and equipment for use by handicapped persons. The Reagan budget includes $91 million for the proposed Title I.

State programs would be required to include evaluation components in order to measure project effectiveness. This has been missing from our State grant programs in the past.

Resource Sharing

State and local taxes support basic library services. Public and private schools and colleges underwrite their individual library services. Research and development funds in private business and industry support special libraries. But creating data bases and

sending/telecommunicating information from one location to another can be expensive. In other words, although the benefits of sharing resources are great, the costs may be also.

The Federal Government has an important role in encouraging resource sharing among all types of libraries to make their combined collections available to more people. Federal money provides the incentive for small libraries to join networks and for large libraries to share what they have. Larger libraries have little other incentive to share their resources outside their own communities. Smaller libraries may have rare and important collections, but many find the cost of joining networks prohibitive, which means their materials are unavailable to researchers, among others. They are also unable to gain access to resources from larger libraries.

The Reagan budget request of $45 million for the proposed Title II would provide $30 million for State formula grants under Part A and $15 million for a Federal discretionary program under Part B. These funds would support the development of new interstate and intrastate library networks and the expansion of existing ones. Cooperative projects might include: preservation of materials; purchase of books to develop collections of significant materials; acquisition of computer hardware and software, along with telecommunications equipment to make resource sharing faster and less expensive; or the conversion of materials already owned by a library to allow holdings to be accessed in a shared data base.

Research and Assessment

For any field to be vigorous, it must continually study itself, investigating how it can better serve its clients. A number of issues need to be addressed in order to better understand user needs, the information-seeking behavior of users and non-users, and the impact of programs. Policy and planning research is essential, and there is a frequently expressed need for an assessment of the changing roles of libraries.

The Reagan request includes $1.2 million for the proposed Title III which would fund field-initiated proposals and those submitted in response to announced priorities and requests for proposals. Our office of Library Programs received many more field-initiated research grant applications in 1988 than it had the resources to fund. There are very few sources of funds for this kind of research and evaluation, making the Federal role clear, if modest.

My colleagues and I will be happy to respond to any questions you may have.

SUMMARY STATEMENT

Mr. KOLB. Thank you very much, Mr. Chairman, members of the committee. I am pleased to appear before you this morning to discuss the 1990 budget proposals for the Department of Education programs in the areas of postsecondary education and education research and improvement. I would like to summarize my statement and request that the full text be inserted in the record.

The 1990 budget now before you is the one submitted by former President Reagan on January 9, 1989. On February 9, President Bush announced his budget plan which includes specific recommendations for education initiatives. The 1990 budget proposed in January includes $8.8 billion for student aid programs which would help provide more than $19 billion in loans, grants, and work-study assistance to over 6 million students.

STUDENT AID PROGRAMS

The request made in January for Pell grants, the largest and most need-targeted Federal student aid program, is $4.74 billion. The policy for Pell grants is to fully fund a maximum award of $2,300 in academic year 1990–91—the same as in the preceding year—and to include funding for less-than-half-time students.

As a result of recent recosting of these policies based on new economic assumptions, however, and new information about recoveries of prior year obligations, the administration will, probably within the next 2 weeks, formally seek to amend the budget reducing the request for Pell grants by $148 million to $4.592 billion.

The budget proposes $452.9 million for supplemental educational opportunity grants and $610.1 million for work-study, the two campus-based grant programs. In academic year 1990–91, the aid available to students under both programs would increase significantly by $65 million, making almost $1.3 billion in aid available to students.

The budget proposes $20 million for new capital contributions for income contingent loans or ICL's. This increase of $15.1 million over the 1989 appropriation, together with the institutional match, would provide $21 million in new loans to 8,400 students. These students would benefit from the ICL's flexible income-sensitive repayment plans that would help students avoid defaults and, because of their lower debt burden, would widen their options in choosing careers.

For Perkins loans, the budget request is $22 million to cover only loan cancellation payments. Even without new Federal capital, however, the existing institutional revolving funds are expected to support approximately $751 million in new loans to some 702,000 student borrowers.

No funds are requested for the State Student Incentive Grants Program, which long ago accomplished its goal of stimulating all States to establish need-based student grant programs. In fact, State expenditures in this area have increased in recent years by 6 to 11 percent per year, even as Federal funding for incentive grants has dropped or remained level.

This year we are requesting $3.025 billion to meet the costs of guaranteed student loans in fiscal year 1990. In fiscal year 1989 we

are requesting an amended supplemental appropriation of $892.4 million, including $330 million for fiscal year 1988 program costs and $562.5 million for program costs in the current year, due primarily to revised Treasury bill assumptions.

Reducing defaults is the major feature of our proposals related to the Guaranteed Student Loan Program. Although GSL's continue to be an effective mechanism for financing postsecondary education, the costs to the taxpayer of defaults have increased alarmingly. Over one-half of our budget request, $1.9 billion, will be needed to pay for defaulted loans.

We will continue our increased efforts to collect on defaulted loans and are also proposing program modifications to reduce the cost of Federal defaults and interest subsidies without effecting the availability of loans. For example, we would reduce the default payments made to lenders and the reinsurance paid by the Federal Government to guarantee agencies.

We would also reduce the special allowance to lenders by 0.25 percent points to the quarterly T-bill rate average plus 3 percent. We believe that this is still an adequate rate to ensure lender participation. We would also require lenders to be more careful in evaluating the credit-worthiness of students and parents; require borrowers to provide adequate information to facilitate the recovery of future defaults; and propose to use the national student loan data system to verify borrower eligibility.

HIGHER EDUCATION PROGRAMS

For other higher education programs we are emphasizing activities that enhance postsecondary education opportunities for disadvantaged individuals.

For example, the TRIO program would be funded at over $228 million to ensure that students are afforded the same level of services despite increased costs. For title III of the Higher Education Act, the request in January was $180.5 million for institutional development of needy postsecondary institutions. In addition, President Bush is proposing a special set-aside of $10 million for endowment challenge grants to be available only to historically black colleges and universities [HBCU's].

President Bush is also proposing $5 million to support a national science scholars program to provide high school seniors who excel in science and mathematics with scholarships of up to $10,000 a year for each year of undergraduate study.

The National Science Scholars Program will show students that there are immediate, tangible rewards for excellence. It will also encourage growth in the supply of American scientists and engineers, thereby helping to improve our competitiveness in world markets.

EDUCATIONAL RESEARCH AND DEVELOPMENT

One of the Federal Government's most important responsibilities in education is to encourage innovation, to collect data, and to support experimentation whose results help States and localities find out what can work in their schools. President Bush is proposing as one of his new initiatives $13 million in new resources for experi-

ments for educational achievement. Experiments and new data collection would address the full spectrum of elementary and secondary education issues through school-based practical efforts to determine what strategies will improve education in given situations.

The budget for education, research, and statistics submitted by President Reagan in January is $88.3 million, an increase of 13 percent over the 1989 appropriation. Among the new research activities the budget would support are small R&D centers to study the teaching and learning of geography, civics, and foreign languages, more field-initiated research, improvements in ERIC, and additional dissemination of education information.

The budget also includes an increase of $2.6 million for the national assessment of educational progress and an increase of $3.6 million for statistics. For library programs, the January budget includes $137.2 million to support activities proposed in the Library Services Improvement Act, new legislation transmitted to the Congress by the Secretary on March 16. It is time to focus Federal support on specific needs—providing more and better library services to disadvantaged and handicapped persons; expanding resource-sharing so that library users have access to more materials; and conducting more research and assessment directed at improving the quality of library services.

DEFAULT INITIATIVE

I have discussed the new initiatives proposed by President Bush and the highlights of the budget proposed in January by former President Reagan. I would just like to add one thing, Mr. Chairman, which is not in the formal statement. I have listened very carefully to the first part of the hearing this morning, and the discussion between you and Jim Thomas, our inspector general.

I find myself in total agreement with everything that was said and with all of your concerns. I found myself thinking that in your opening remarks you sounded very much like Bill Bennett on November 4, 1987, when he first raised the default initiative and also like Lauro Cavazos in September of last year when he took over and began to focus his efforts on it.

We share the same concerns and we certainly want to work with you and hope this will be a bipartisan effort to deal with this very pressing problem. I very much appreciate your concern and the concern of your staff and the subcommittee. At this point, my colleagues and I would be pleased to answer any question that you may have.

Senator HARKIN. Thank you very much, Mr. Kolb. I can assure you are going to have all the support that I can give you and the Department in doing whatever we can to reduce this default rate. I just think it is a national scandal, what is happening out there. And we were trying to meet legitimate needs in so many areas. And I am going to go over some of those with you.

And to think that over one-half of the Guaranteed Student Loan Program, over one-half of that budget now goes just to pay for the defaults. Something has got to give on this. You said Mr. Bennett talked about this. Mr. Bennett talked about this November 4, 1987. Well this is 1½ years later.

Well I am at least going to be here for another 1½ years and I do not want to have 1½ years go by and someone say, well Harkin talked about that 1½ years ago, but nothing has happened.

Mr. Kolb. As I mentioned to you, I believe it was on Tuesday, I think I said that our final regulation dealing with this issue would go to the Office of Management and Budget that day. I am pleased to report that it is there right now as I indicated.

Senator HARKIN. Thank you. And I want you all to know too, that we are going to be developing a package of recommendations for the authorizing committee. But, beyond that, we are going to see what this subcommittee can do, yet this year, in the appropriations process to address some of these concerns. And again, I invite your participation in that effort.

Are there any suggestions you might have on what we can do? I just do not think we can let it go any further and just continue to roll along.

SOURCE OF DEFAULTS

Mr. KOLB. If I could just add one other fact that you may want to contemplate as you approach this issue. We talked about the overall amount of money that is spent on defaults, and we estimate it will be $1.9 billion in the coming year. We focused on the schools with high default rates.

I should also tell you, just for the record, that by our count, about 43 percent of the dollars in default are associated with schools that have default rates below 20 percent. In other words, the bulk of the default volume is with schools that have default rates above 20 percent. There is also 43 percent.

Senator HARKIN. Forty-three percent of the dollars involved are defaults in schools that have default rates less than 20 percent?

Mr. KOLB. That is correct.

Senator HARKIN. I look at 4-year schools and they have a default rate that averages what, 9 percent, or 8 percent, something like that?

Mr. KOLB. Yes, sir; but you are talking about the default volume spread across the country. I wanted you to understand that most of that money is associated with schools that have default rates above 20 percent, but you still have a significant amount of money that is in default from schools with relatively low default rates. It is a very difficult problem.

Senator HARKIN. Well first of all I would recognize the distinguished Senator from Arkansas for an opening statement before we get into questions.

Senator BUMPERS. I do not have an opening statement, Mr. Chairman. I appreciate your deferential treatment, but I do not have an opening statement.

Senator HARKIN. We were just talking about the default rate, Senator Bumpers.

Senator BUMPERS. Mr. Chairman, my staff tells me you have already covered the default rate among proprietary schools and I will not pursue that any further. However, I am curious as to what the Department of Education has proposed to deal with that problem.

Senator HARKIN. The inspector general's office has eight different programs that they are involved in in looking at the different areas in which we find the problems, course stretching and branch campuses and the accreditation problems that we have.

Senator BUMPERS. I understand that it is to the advantage of the proprietary schools to go out and recruit as many students as they can with little regard for retention of students?

Mr. KOLB. That is correct.

Senator BUMPERS. I understand there is a truck driving school that pulls in about $1 million in Federal student aid a day. And that school has a very high default rate. Did you cover that truck driving school this morning?

Mr. KOLB. Yes, sir.

Senator BUMPERS. Is that a true story?

Mr. KOLB. Yes; it is.

RECOURSE AGAINST LOAN ABUSES

Senator BUMPERS. Do you have sufficient authority now to move against schools like that?

Mr. KOLB. We have authority and, as our inspector general explained, we are using that and other authorities. We are pursuing offsets through the Internal Revenue Service. We have also referred over 27,000 cases to the Department of Justice for collection. I must say, Senator Bumpers, it is very frustrating.

This is a very profitable and lucrative area and, partly because of that, it draws some of the best legal talent in the country to fight it off. Of course we would not want to deprive anyone of their due process rights. If you follow the legal action with regard to this training, it has been frustrating for the Government because of the inherent nature of the legal system. Of course we would not want to create a system, and I do not think you would either, which deprived an institution, or individuals of their due process rights. There is a certain amount of tension here between what we need to do and the speed with which we can move.

Senator BUMPERS. When I practiced law in a small town, I had an unbelievable number of people come to me and tell me about their experience with correspondence schools. Many of these people were fairly uneducated and unsophisticated, and they would enroll in correspondence courses after reading about them or hearing their advertisements.

By the time they got the books from the correspondence school, they had already changed their minds about taking the course. Then the school turns the whole thing over to a collection agency because the students have already agreed to pay so much money. And I will be frank with you. I bet I had 100 people over the course of my 18 years of trial practice come into my office with those collection notices that said, "We are going to sue if you don't send us the $500 you promised." I imagine this situation is similar to what happens with many students who enroll in proprietary schools. But I understand when they drop out and don't repay their loans, Uncle Sam repays the defaulted loan.

TERMINATION OF PARTICIPATION

But the question I really want to ask, Mr. Kolb, is—do you have the authority under existing legislation to cut off one of those schools from participation if their default rate reaches a certain level?

Mr. KOLB. At the moment, no, we do not.

Senator BUMPERS. Your colleague is nodding his head yes.

Mr. DAVIDSON. If you are asking, do we have authority for the type of NPRM regulation that we proposed last fall? Yes; we do. That regulation would potentially allow the Secretary to limit, suspend, or terminate a school's participation in the student aid programs, if it had a default rate over a certain level. We set 20 percent as that level in that regulation. There would then be an opportunity for a hearing and for a school to show that it had a high default rate that was due to circumstances it could not control.

But we do have authority to regulate.

Senator BUMPERS. But you do have to go through administrative proceedings before you can terminate that school?

Mr. DAVIDSON. Yes, sir.

Senator BUMPERS. Do you use that? Have you used that?

Mr. KOLB. We have used the emergency termination, either in Superior Training or one of the other recent actions. And so we are using that authority, yes.

ABILITY TO BENEFIT

One area where we do not have authority by law is regulating the area of ability to benefit.

Senator BUMPERS. The area of what?

Mr. KOLB. The ability to benefit. It is part of the title IV programs which requires an assessment be made as to whether a student who is going to participate and get Federal money, has the ability to benefit from the program. I think, as we heard earlier this morning, this has turned out to be a major loophole which is responsible, to some extent, for some of the abuses that Senator Harkin has been hearing.

Mr. DAVIDSON. The truck driving school problem you alluded to earlier does involve ability to benefit. The school was determining on its own that people who could not read English, had physical handicaps; that it didn't really allow them to drive trucks, et cetera. They still had ability to benefit from their program.

You asked about legislative authority. The 1986 amendments to the Higher Education Act provided that the Secretary could not regulate in the area of ability to benefit, particularly in regard to the school's ability to prescribe the test or the method of testing for ability to benefit. We had proposed regulations in 1986 which would have put some teeth into the ability-to-benefit concept. Those were overcome by that provision of the 1986 law which, in fact, says that for proprietary schools in particular. It does not mention the other schools.

We cannot regulate in this area.

Senator BUMPERS. That you cannot regulate what?

Mr. DAVIDSON. The ability-to-benefit test that schools use to determine ability to benefit.

Senator BUMPERS. You cannot set up any criteria for that school or that test?

Mr. DAVIDSON. We cannot set up criteria by law.

Senator BUMPERS. Well, Mr. Chairman, that sounds very strange to me. So a school could say if a student makes an "X" in the proper spot that student could be classified as one who might benefit. And you cannot do anything about that?

Mr. KOLB. I should point out, Senator, and we mentioned this to Senator Harkin a couple of days ago, that the Department has, over the last 8 years, made a number of legislative proposals that we think would have helped tighten up this area. One of them has been a stricter ability-to-benefit provision. As I said at the outset, we are absolutely delighted that this focus is being paid to this problem.

We want to work together and address it, not only through the administrative steps we take in the Department, but through our regulations which we hope to have out later this month. And whatever additional legislative remedies may be required.

Senator BUMPERS. Mr. Chairman, may I take a couple of more minutes?

Senator HARKIN. Not only, in that area, but there is another area that the Congress has not allowed them. They have given to the schools the authority to determine whether someone has the ability to benefit. The other area we pointed out earlier that you may not have heard was in the accrediting.

Right now the schools set up their own accreditation process so the accrediting body that accredits the proprietary schools are made up of the proprietary schools. They accredit themselves.

Senator BUMPERS. The old fox watching the hen house.

Senator HARKIN. I think I did say something like that.

Senator BUMPERS. Or the dogs watching the meat house. There are 100 of them. [Laughter.]

RESEARCH AND DEVELOPMENT CENTERS

Mr. Kolb, on page 7 of your statement, you say, "* * * among the new research activities the budget would support are small R&D centers to study the teaching and learning of geography, civics, and foreign languages, more field initiated research, improvements in ERIC, and additional dissemination of educational information." Describe for me what you envision with that kind of a R&D center. Is that a question I should direct to you, Mr. Manno?

Mr. MANNO. Yes; it is, sir. There are actually two kinds of R&D centers that we support. There is one that spans a 5-year period and another that spans a 3-year period. The centers that we are proposing to fund in fiscal year 1990 are 3-year centers.

These are content areas that are focused specifically on issues that we believe are pertinent to the current education discussion. The centers will be supported at a level of approximately $500,000 a year for 3 years and will focus on the teaching and learning of the subject area.

Senator BUMPERS. Per unit, per R&D center?

Mr. MANNO. Yes.

Senator BUMPERS. This is a pilot concept, then?

Mr. MANNO. Actually, we have had several of these content centers in the past several years, but most of the centers that we have supported over the years have been 5-year centers. The 3-year centers are newer. The first one was funded about 3 years ago. We are just finishing our first 3-year period on three centers.

Senator BUMPERS. Are you accumulating data on improved methods of teaching these courses? Is that the purpose of the centers?

Mr. MANNO. Yes, sir; it is.

Senator BUMPERS. Then you are going to disseminate this data to all elementary and secondary education?

Mr. MANNO. Some information from the three existing 3-year centers has already been disseminated, as a matter of fact.

EXPERIMENTS PROGRAM

Mr. HARKIN. If I could pick up on that. This was something I was going to ask a little bit later on after we got through some of the others, but as long as Senator Bumpers has brought it up. I too, paid attention, when you were talking, Mr. Kolb, about this $13 million in new resources.

And again when Senator Bumpers was quoting from your testimony, I asked the question, you already have a national diffusion network, I do not know if you know about the national diffusion network. I did not know about it until this year. I had never heard of it.

But I have become quite enamored of it and it is already in place. They do—everything I have been able to discern is they do an outstanding job of diffusing. It is a national network out there getting new ideas and new concepts out to elementary and secondary schools. So why are you asking for a whole new area here rather than using something that is already in existence, that is already working for which you have asked for almost no increase at all, a very slight increase. How are you going to implement the national diffusion network in this proposal?

Mr. MANNO. Let me make sure I understand what you are talking about. Are you referring to the $13 million requested by the President for supporting experiments?

Senator HARKIN. Exactly. You say here, again let me repeat what Senator Bumpers said, these grants will be school based, practical efforts to determine what strategies will improve education in given situations. And then you said you were going to then take those out to elementary schools. That is what the national diffusion network does.

Mr. MANNO. The national diffusion network focuses exclusively on dissemination. The experiments program that the President is proposing is really quite different from that.

Senator HARKIN. That is not entirely so.

Senator BUMPERS. Mr. Chairman, if I understand him, Mr. Manno is saying that this is a pilot or experimental program to determine better methods of teaching. The national diffusion network would be the organization that would disseminate the results of research or training.

Mr. MANNO. That is correct. That is the distinction. Perhaps if I could give you an example of what would be considered an experiment. It might be of some interest or some help in this discussion.

For example, let us take your own State of Iowa which on some issues is at the forefront of the U.S. education reform movement.

Senator HARKIN It is in the forefront of a lot of things.

Mr. MANNO. Including education reform.

Senator BUMPERS. And electing outstanding public officials. [Laughter.]

Senator HARKIN. Is that on the record? [Laughter.]

Mr. MANNO. As you know, the Iowa Legislature and the Governor over the last several months have been working on a choice proposal which has now been signed by the Governor. A lot of claims have been made about that choice proposal and what it will do. Hypothetically, the experiments program that the President is proposing could make it possible for the University of Iowa, along with perhaps the Governor's office, the State education agency, and a LEA to propose a 3- to 5-year study that would examine the long-term effects of that choice program in the State. That is an example of what this program could do.

And at the end of that 3- to 5-year study, an evaluation would be required. At the end of that 3- to 5-year period, there might be some useful information that should be disseminated through the national diffusion network, but the NDN and the experiments programs are really two very different kinds of programs.

Senator BUMPERS. Mr. Chairman I just have one other question and it is directed to Mr. Manno.

I have introduced a teacher training bill in two Congresses, and I intend to reintroduce it soon. I have discussed it with Senator Pell and I have asked him to hold hearings on it when he holds hearings on his own teacher training bill.

I call my bill the humanities bill. I believe that if there is an educational crisis in this country, there is a teacher crisis too.

I realize the crisis in teaching is caused by a whole host of things. One major problem in getting and keeping good teachers in the classroom is low salaries, and to significantly raise teacher salaries is an expensive proposition. We also have to do more to provide continuing education to the 2.25 million elementary and secondary teachers in this country. If we are really serious about improving education in this country, we also must improve the training of many of our teachers.

The trend in this country is to be competitive, particularly with Japan. So the emphasis is going to be and the money is going to be spent on math and science, and I do not have any quarrel with that. But I think attention must also be paid to training in the humanities.

As you know, the National Endowment for Humanities started pilot teacher training programs several years ago. Elementary and secondary teachers were chosen to participate in 4- to 6-week summer seminars on particular topics within the humanities.

This program looked to me like a dynamite idea, and everybody who participated said that the seminars were among the most scintillating experiences they ever had. Now the point is, many of the teachers who participated in these programs had the opportunity

to study philosophy, drama, literature, history, the social sciences, and some of the fine arts. They have done that, even though that was not their discipline.

You see, I think a math teacher ought to be able to drop a little humanities on their students occasionally, just as a matter of course. I think that this program is excellent, but it needs to be expanded. What I have in mind is a $50 million program that would include schools in every State in the Nation. Colleges and universities could design these kinds of courses and teachers would be given scholarships and stipends to attend the seminars.

I think it is dangerous for us not to appreciate what happened 200 years ago in Philadelphia. And for public servants to just continue to repeat the same mistakes because they do not know anything about history. I believe summer seminars of the type I describe provide teachers the opportunity to learn more about American history and to develop a keener understanding of their civic responsibilities. Did you ever read Barbara Tuchman's book, "The March of Folly"?

Mr. MANNO. Yes; I have, sir.

Senator BUMPERS. It is a dynamite book, is it not? I just wish George Bush and Ronald Reagan would read it. What do you think about this whole proposal?

Mr. MANNO. Actually, it is a very attractive proposal. Though the sums that you are talking about are much larger than the sums that are found in our budget, we do, in fact, have a proposal in the OERI budget for what we call a teachers as researchers program. It is a program that we started 3 years ago. We were unable to really support it last year because there was not enough money in the final budget.

The money that we have proposed would support those kinds of activities that would make it possible for a teacher to take what you call a minisabbatical and spend some time doing what you have proposed.

The amount of money that we have proposed for these awards is rather minuscule, compared to the money that you were talking about. We propose to make available to teachers grants of approximately $5,000 that would allow them to take a minisabbatical to do a variety of things.

Senator BUMPERS. How do you define a minisabbatical?

Mr. MANNO. This could be a 2- to 3-month, or 3- to 4-month time period during which they could look at a particular discipline outside of the area or discipline that they had spent their college and university time studying.

Senator BUMPERS. Well, that is close to what I am talking about.

Mr. MANNO. We certainly welcome your support on our proposal.

Senator BUMPERS. Well, could you send it to me and let me look at it?

Mr. MANNO. I would be happy to do that, sir.

Senator BUMPERS. We will do that. Meanwhile, I am going to go ahead and introduce my legislation soon, and I will send you a copy of it with my opening statement. We will talk further about these proposals.

Mr. MANNO. Thank you, sir.

Senator BUMPERS. Mr. Chairman, thank you for your indulgence.

PROPRIETARY SCHOOL DEFAULT PROBLEMS

Senator HARKIN. Mr. Kolb, if we could. This has been an interesting discussion, but let us now return back to default rates, and what suggestions you might have as to what we could do.

Again, I just want to again for the record, read what the New York Board of Regents recently recommended. They recently recommended a legislative package to, in their words, "halt the deceptive and improper practices of many nondegree proprietary vocational schools in New York State."

In the Department's own study of February, entitled, "Consumer Rights and Accountability in Postsecondary Vocational/Technical Education," many of these same problems that the New York Board of Regents found were found in Texas, California, and Illinois.

Again, I am wondering, and this is not, I would assume that in your view, this is a widespread problem.

Second, have you looked at the recommended legislative package of the New York Board of Regents, and if so, what are some of the elements that you would consider to be, the ones that we ought to really be taking a look at?

Mr. KOLB. The first question is whether it is widespread? I think the numbers certainly indicate that it is a widespread problem.

As you pointed out, that is our third largest program in the Department. Approximately $2 billion is spent on defaults.

Senator HARKIN. Can you imagine that Senator Bumpers—a $22 billion Department of Education budget. This is the third largest program, and for the Pell grants and chapter I, is for defaults. It is 10 percent of the entire budget. That is $2 billion. Go ahead.

CONSUMER PROTECTION CONCERNS

Mr. KOLB. Let me also point out something I said on Tuesday. It is not only an outrage for the taxpayers, but we also have to look at what we refer to as the consumer protection side of this. We are also motivated, not only by the budgetary concerns, and are reshifting that money, so that it can be used in better areas in the student loan program.

Also, you have to look at the individual students. You mentioned the Wall Street Journal. I think the last paragraph of that article had a quotation from a young woman who had taken out a loan, gone to a school, gotten nothing for it, and said, "Well, why should I pay this back?"

In essence, what you have are educational lemons——

Senator HARKIN. I read that story, and I agree with her. Why should she have to pay it back?

Mr. KOLB. Well, I guess it is very similar to what happens if you get a car loan, and your car turns out to be a lemon. It may be a little easier there, because somebody can repossess the car if you do not pay your loan, or repossess your house if you do not pay your mortgage.

In this area, obviously, it is a little more difficult.

SCHOOL QUALITY AND PROPENSITY TO DEFAULT

Senator HARKIN. But it seems to me that who defaulted on that loan is not the woman but the school.

Mr. KOLB. That is absolutely right. Again, I want to go back to the point you made earlier; we shared data with your staff.

Obviously, there may be a greater propensity for low-income people to default, just by the fact of having less money, but I think the strongest correlation, and the correlation that holds across income levels, is the correlation with the school quality.

Again, we have seen defaults as a proxy for poor administration, and we think there are steps that the schools can take.

Now, we have looked at a New York study. Initiated by the New York State Education Department, I think it was called "Unfair At Any Price." Although that study is mostly anecdotal evidence, it certainly is consistent with the types of things that we have discovered, not only in New York, but across the country. We are very much behind the strategies that this report recommends.

Obviously, there are some differences between what they can do at the State level, and what we can do at the Federal level. However, many of the concepts, particularly what they recommend with regard to ability-to-benefit prorata refunds, are things that we are contemplating now.

As I said, we have proposed tighter regulations on ability-to-benefit in the past.

PRORATA REFUNDS

We are looking at prorata refund in the context——

Senator HARKIN. Do you have the administrative ability to enact prorata refunds, or is that legislatively prohibited?

Mr. KOLB. We proposed that in the notice of proposed rulemaking last September.

Senator HARKIN. So, you can do it yourself?

Mr. KOLB. Yes, sir.

Senator HARKIN. Why are we not doing it?

Mr. KOLB. Well, stay tuned. We will be addressing this in our final regulation. Again, that is subject to OMB's clearance. There have also been a number of proposals on how to deal with this, and they have been controversial.

Stay tuned, and you will be hearing from us.

ENFORCEMENT AND OVERSIGHT

Senator HARKIN. Again, I want to ask about the enforcement and oversight by the Department. As you probably heard, I discussed with the inspector general. It shows that while the number of proprietary schools, as I have said three or four times already, this money has increased by 50 percent.

The number of institutional reviews made by the Department actually decreased. Last year, Senator Chiles added money to the budget to reverse this trend, but during the same period, the number of actions taken by the Department to limit, suspend, or terminate institutions from aid programs declined or held steady.

Again, the inspector general talked about that. Again, how do you feel? Do you feel this reflects an adequate level of enforcement and oversight, and do you have any plans to reverse these trends?

Mr. KOLB. I agree with you. I would like to see it stepped up, and I want to see vigorous enforcement. That is what we are trying to do now.

You have mentioned the additional money for program reviewers. I have met with, discussed with, and written to, the Assistant Secretary for Postsecondary Education, who, I believe, has acted aggressively to recruit those people.

There is some difficulty in trying to do the recruitment actions in some of the regional offices, but I believe we will be up to, close to 91 reviewers at some point in the near future. We hope that the total number of reviews for this year will be around 850, and by next year, approximately 1,200, which I think is either equal to, or maybe a little above what you have asked us to do.

Sally, do you want to add to that?

Ms. KIRKGASLER. What Mr. Kolb has said is correct. We are projecting that we will be doing more reviews. We have just about completed the hiring action.

Senator HARKIN. I cannot hear you. I am sorry.

Ms. KIRKGASLER. I am sorry. We have just about completed those hiring actions. We will have those reviewers on board. In fact, we are arranging for training sessions to get them up to speed, because it will take us a little time to train them. The first year, we will have to double up personnel on some of the reviews to train the new people, but we are projecting that we will be up to 1,200 within the year.

INSTITUTIONAL AUDITS

Senator HARKIN. I have been quite enamored of the audit system that is in place in Health and Human Services regarding the Medicare Repayment Program. It functions well. I think it needs to be beefed up a little bit, but they are actually going out there and recouping money all the time. And it is a separate entity within the contract agencies, that contract to service the medicare system.

Do you have in the Department—is there a separate audit branch, or do you have a separate line function just for this kind of thing to audit, to look at these kinds of things?

Again, you have got the same kind of system as you do in medicare. It is a third party kind of thing coming in, and I am just wondering if we have that kind of an audit system?

Mr. KOLB. We have two ways of reviewing institutions. Mr. Thomas explained how the independent audits are done and the inadequacies that he has found with regard to those.

We also have the program review mechanism, which goes into the institutions and basically does samplings of various aspects of its operations. Ms. Kirkgasler can explain that.

I agree with you that we need to step it up. There is absolutely no doubt about that in my mind.

I would point out that there are other things that we have been doing, which I think have made a tremendous difference. We have, as I mentioned, increased substantially the number of reports we

make to credit bureaus. IRS offsets have recouped a substantial amount of money, not only against defaulters across the country, but also against Federal employees. We have improved our write-off treatment.

DUE DILIGENCE REQUIREMENTS

We have also been, I think, extremely tough, appropriately so, in the enforcement of our due-diligence requirements.

I know you have read about this in connection with decisions that we made recently in connection with California. It was a case that got a lot of publicity, but at stake there was an amount of money estimated to range from $200 million to $500 million, and I think Secretary Cavazos took a tough stance and did the right thing.

Senator HARKIN. Well, you see again, the Inspector General's Office, in HHS, they have an Inspector General's Office, and they look at things but——

Mr. KOLB. Let me ask Sally if she wants to add to your question on the audit function, and the way the program reviews the——

INSTITUTIONAL AUDITS

Senator HARKIN. I am just talking about an on-going line function, and audits that look at these. I mean, these are like every day, every week, they are looking at these; at how the requests come in to be approved.

Ms. KIRKGASLER. The Higher Education Act requires that the institutions participating in the programs submit audits to us every other year. Those are external audits, but those are reviewed carefully, and the problems negotiated.

They also can cue program reviews, where our reviewers go out and look at some of these problems. In very serious cases, they also cue references to the inspector general for official inspections.

Senator HARKIN. First of all, who pays for those audits?

Ms. KIRKGASLER. The institutions themselves.

Senator HARKIN. Well, there you go. Are they going to be very interested in shelling out a lot of money for audits that may cut them off from some money?

I think you have got the dynamic situation set up there, that just does not lend itself to a very vigorous kind of an audit program.

I am wondering if we should change that to, again, have the Department itself have the auditors.

Ms. KIRKGASLER. As I said——

Senator HARKIN. I do not mean in-house, but at least contract for them.

Ms. KIRKGASLER. There does appear to be a problem with the information they submit. We do have people who go out and audit those situations themselves, and in some instances, as I say, the inspector general will go out and do audits also.

Senator HARKIN. I think we ought to look at that, Mr. Kolb. I would really like to see if there is some other way of getting this audit function done, other than the way it is done now, because I think it just does not lend itself to accountability.

It is sort of like the savings and loans, as my counsel said, they were audited every year. But, when you do it in-house, it does not set up a very good system.

Let us take a look at that, and again, work with our staff and see if there is anything we can do. And again, I do not know if it takes legislative change, or administrative change to do this. I am not certain.

Again, from the New York Board of Regents study, it was suggested that monitoring and enforcement, alone, will not solve the problem. They go through the incentives to take advantage of students. Financial aid programs, monitoring is too great. Monitoring is too time consuming, and enforcement is too slow, quoted from some of their things.

ADDITIONAL AREAS NEEDING MONITORING AND ENFORCEMENT

Mr. Kolb, would you agree that addtitional monitoring and enforcement, alone, will not bring down the default rate? Is there something that we need to do, and I am getting at the system changes that need to be made.

Mr. KOLB. You have raised, and I think we have discussed throughout the morning, the various systemic or structural issues. I do agree with you that the program could bear, I think, some additional scrutiny in this area.

You have pointed to the issue of accreditation. I know there are some very good accrediting organizations out there, and I think it would certainly be worth your while to talk with them, and to get their views as to the way their operations affect this whole program.

There are also the systemic issues about the nature of the for-profit schools. There is nothing wrong with making a profit, and I do want to state something which I think has been overlooked this morning. There are many, many proprietary schools out there that are doing a first-rate job, providing quality education, and are not ripping off the system. I think they should be recognized and encouraged because they do, along with other types of institutions of higher education, expand access and provide quality to postsecondary education and to jobs. They are doing a good job in doing this.

At the same time, I think you have to look at what Mr. Thomas pointed out, and that is that there is a big incentive for enrollment. Let us get the numbers up, and not necessarily focus on outcomes or results. I think this is something in which we share a common interest.

I have mentioned accreditation. We have also proposed in the past, and currently, ways in which the risk associated with this program could be shared among all participants, particularly lenders. We are making that proposal again, and we certainly hope that you would look favorably on that.

That is all I have at this point.

Senator HARKIN. A thought just crossed my mind. You were right, there are proprietary schools out there that do a good job. I guess if there are any of them sitting in the audience today, I would just say that I hope those that are doing a good job and those associations that represent them, and I guess they will be up

here before our Committee some time soon, would come forward with suggestions and proposals. Because, unless we do, they are going to get caught in the net, because we just cannot permit this to continue to go on.

But I guess what I am thinking is this, that in your 4-year schools, in your 4-year colleges, those are—how can I say this—the education is not necessarily job specific. It is a generalized education. It is not job specific. It is basically to give a rounded education, so that you can go into different areas.

Yet, the proprietary schools are job specific. They are geared toward placing someone, or putting someone in a certain occupation. Might we look at these the way we do the Job Training Partnership Act, that these programs get more funding, the higher their placement rates.

If they have a good placement rate, they continue to get funding, and more funding. It depends upon how well they place their people in jobs, than perhaps the proprietary schools being job specific.

Maybe we ought to look at a correlation between how well they place people after they complete their proprietary school, as to whether or not they will be accredited, and as to whether or not a student can get a loan to go to that certain school.

Would that be something we might want to look at?

Mr. KOLB. You may well want to do that, Mr. Chairman.

SEPARATE TREATMENT OF PROPRIETARY SCHOOLS

There have been several proposals. I think the American Council on Education has discussed the possibility of a structural approach, which would treat proprietary schools differently from nonproprietary schools.

I think at this point the Department's view is to work with the programs we have got, and see if we can, through consumer disclosure and tighter regulation—using our existing authority—work within the structure that we have now to see if we cannot bring down the default rates and, at the same time, assure access to quality.

There are a number of steps that can be taken, and we have talked about those. I do think you have to look at the historical trend here. Ten years ago you did not have the same number of proprietary schools participating. The industry has grown up. To a certain extent, I think it has been positive, because it has provided additional opportunities for students to have access to higher education and to job-specific training.

Someone might make the same point about law schools. I mean, law schools train you for specific jobs, and some people have said, "Well, are you going to treat proprietary schools and law schools the same, because law schools are really closer to proprietary schools than they are to 4-year colleges."

I would certainly encourage you to look wherever you like in terms of structural changes, but it does get very complicated and you will certainly want to hear from all of the participants.

I believe it was the first week Secretary Cavazos was in office that he began to focus on this issue, and in early November, re-

quested comments from everyone, from all the players, all of the colleges, the trade schools, and Members of Congress. We have received over 3,600 comments.

We are now trying to shape an overall package of administrative steps, regulatory steps, and some additional legislative proposals, and we think that the direction that the Department is headed in is one which can work within the existing structure and gain some results.

I would point you again to Governor Kean, who issued a report about what they have been trying to do on defaults in New Jersey since 1983. I would be glad to send it to your staff, if they do not have it. If you look at that report, Governor Kean has made some significant changes in the last few years, and we are watching that very closely just as we are watching New York.

CONSUMER INFORMATION

Mr. DAVIDSON. I would just like to add that before you get to the fairly draconian position of requiring placement criteria in these programs, I think we should try, at least, disclosure of placement and completion rates, and licensing exam pass rates, and that kind of information, to the prospective borrowers. We do not have that now, although some accreditors require that to some degree.

One of our proposals in the NPRM last September—and you may well see it soon in final—will involve requiring disclosure of information of that kind, and the tabulation of it at the Federal or State level to make sure that at least people are warned, and that records are kept as to placement.

I think one of the great aspects of this New York State report is to point out that the vocational outcomes and the skills needed to perform in the work place should be tied more directly to the program performance of the participating schools.

We are approaching that currently. We hope we do not have to go as far someday, such as the Job Training Partnership Act [JTPA] does, with participation criteria relating to placement data.

Senator HARKIN. Well, I do not see it as that draconian. I do not. I just do not see it as that bad.

Well, earlier we talked, I guess when Senator Bumpers was here, about the current law prohibiting the Department from regulating the ability to benefit provision. You say you are coming forward with recommendations on that. So we do not need to go over that again.

ACCREDITATION BODIES

One thing, again, what bothers me is this whole accrediting body situation. It is my understanding, the Department has never utilized its authority to decertify an accrediting body.

Is that so? Has the Department ever rejected the application of an accrediting body?

Mr. KOLB. To the best of my knowledge it has not.

Senator HARKIN. What is the problem here? It seems to me that at least one or two ought to be.

Ms. KIRKGASLER. We have rejected applications when accrediting bodies applied. If you are talking about withdrawals later, I would

have to check the records. There have been very few, if there have been any.

There is a detailed process in which they present their petitions for recognition, and people have been refused on many occasions there.

Senator HARKIN. On the initial application?

Ms. KIRKGASLER. Correct, Senator.

Senator HARKIN. Then, do they just reorganize themselves and come in another way?

Ms. KIRKGASLER. There have been instances, but I would not say that that is a broad rule.

Senator HARKIN. The real problem, then, is once they get certified—is certified the right word?

Ms. KIRKGASLER. Recognized.

Senator HARKIN. Then they never get terminated.

Ms. KIRKGASLER. There seems to be a history, yes, of that, Senator.

Senator HARKIN. Well, counsel says again, one of the problems might be how stringent are the requirements to get recognized. Has that been reviewed lately?

Ms. KIRKGASLER. Yes, those that are accredited. We do take a fresh look at them every 4 to 5 years, and in some instances, they have their recognition extended only for a shorter period of time, so we can look at them more closely.

There also is a detailed recognition process where they have to file paperwork with us that is reviewed by staff. There is an accrediting committee that meets twice annually and goes over those applications, reviews them, and hears the petitions. During the process of reviewing the applications, they also actually go out and visit their offices and campuses.

Senator HARKIN. I really do not have any more on the default situation that we have covered. If you have some things you want to bring up that I did not ask about, or you did not mention, that any of you want to bring up on this whole default issue, if you have anything at all, bring it up now; otherwise, I am going to move on to a couple of other items.

[No response.]

PELL GRANT PROGRAM

Senator HARKIN. Sort of moving away from the proprietary schools, I want to talk a little bit about the Pell grant program.

Under the Pell grant formula, the only way the most disadvantaged students receive an increase in benefits is if we raise the maximum grant for the poorest students. The most disadvantaged, the only way they benefit from any increase is if we raise that maximum.

The Committee has raised the maximum grant $100 in at least the last 2 years. The administration says that Pell grants are a priority program, yet, while they do that, you have asked us to freeze the maximum grant in 1990 at $2,300.

Now we are being told the administration is about to send up a budget amendment reducing the amount requested for Pell grants by $148 million.

If you consider Pell grants a priority, why are you not asking us to use that excess amount to raise the maximum grant? And would that not provide a necessary boost for the most disadvantaged students?

Mr. KOLB. Let me explain why the request is going down. The total number of students that will participate, or will be eligible for participation in the Pell grant program, by our calculation, Mr. Chairman, will go up by about 43,000 next year.

Senator HARKIN. Go up?

Mr. KOLB. Go up. The reduction is the result of technical recalculations with respect to family eligibility and the recapturing of some money that was not used by institutions.

If you took that money—your question was, can you take that money and increase the maximum? Well, I guess you could, but every time you raise the maximum $100, I believe it costs about $220 million.

Senator HARKIN. So I guess we could raise it $50, I guess.

Again, I tell you, for the very poor students, for somebody who really comes from a poor family, I mean, $100 is not a bad deal. I mean, that is books. That could buy some books.

I guess that is why I am concerned about reducing the $148 million from the Pell grants when you have got an increase of 43,000 students, going up you say.

Well, we will look at that. We have increased it the last 2 years, and I believe the Senate will make sure that we continue that kind of increase, again, if for no other reason, then because of inflation increases. I guess an inflation increase would be at least $50, just roughly.

We are not even talking about tuitions that are going up 7 or 8 percent per year. So I am sure that the subcommittee will be looking at that.

TOTAL STUDENT AID AVAILABLE

Ms. CHRISTENSEN. Mr. Chairman, I would point out that in total, our student aid proposals would increase the total amount available from about $18 billion to over $19 billion. Close to about $1 billion more that would be available for students.

Of course, this includes other programs besides Pell grants. It includes supplemental opportunity grants and work-study and our loan program—not just guaranteed student loans, but loans that are targeted on the needy. There are also revolving institutional loan funds that, even without our request for new capital, will make substantial aid available.

The point is—I understand what you are saying about Pell grants—that the administration is requesting sizable dollars that will result in substantial increases.

Senator HARKIN. What is the increase in college work-study? Maybe I have that question coming up, but I am personally interested in the College Work-Study program. I think it has been a pretty good program.

Ms. CHRISTENSEN. Our increase is $15 million. We are proposing to go up from $438 million to $453 million.

I am sorry. That data is for supplemental grants.

Senator HARKIN. Work-study is frozen.

Ms. CHRISTENSEN. I am sorry. Supplemental grants are increased. The total available aid to students in work-study would go up $25 million, from $780 million to $805 million.

Senator HARKIN. Wait a minute. What are you looking at? Say that again. What was that?

EFFECT OF INCREASED INSTITUTIONAL MATCH

Ms. CHRISTENSEN. The Federal appropriation would remain the same level in work-study. If you take into account the increased matching that is required by institutions, the total amount available for work-study dollars will increase by $25 million between 1989–90 and 1990–91.

Senator HARKIN. Is it not true that a great many institutions overfund the necessary matching requirements for these programs right now?

Ms. CHRISTENSEN. For just about all these programs, yes.

Senator HARKIN. So is it really accurate that an additional $65 million would be available? Is it not more likely that many institutions would just count more of their institutional grant aid dollars toward their match?

Ms. CHRISTENSEN. No; we think there is such a demand for these funds that I think the institutions will have to apply more matching to get the Federal dollars.

With the demand that is out there, we are sure that they will come up with those additional dollars.

WORK–STUDY APPROPRIATIONS

Senator HARKIN. Do you know what the fiscal year 1988 was for college work-study?

Ms. CHRISTENSEN. It was $588 million.

Senator HARKIN. So it went up by $22 million. And yet you propose to hold it steady for next year. I am going to take a close look at that. I do not know about that.

I really question whether it is realistic to think that the schools are going to make up that difference on the matching funds. We will take a look at it, but I really question whether or not that is going to happen.

INCENTIVES FOR SAVING FOR EDUCATIONAL COSTS

One other area is that, and again, it just has to do with this whole idea of eligibility for Federal student aid. Congress enacted a new savings plan that provides a tax incentive to invest U.S. Saving Bonds for future tuition expenses.

Still, if you invest in these bonds, the savings is immediately taken away from your eligibility for other Federal student aid.

So I hear people all the time tell me that whenever they save money over the years to apply to education, then that is taken into account when students apply for student aid, and they do not get the aid.

So it really does not help them much. It does not ratchet up any money when they save for education.

I am wondering if we should have more incentives in the student aid system for savings. In other words, like a matching fund: If your family saves some money, you buy it. And then maybe you could be held harmless to a certain degree in some of the student aid programs.

Has the Department looked at this? Do you have any suggestions?

Mr. KOLB. I think the President would probably agree that nationally we need as many incentives for savings as possible. With regard to specific programs, however, I think we want to look at tax consequences, and I do not know that we could give you specifics now at this point.

We would be glad to go back and look at other options, but we have to keep in mind the tax consequences for how we are going to create the incentive. The President has been a big supporter of college savings bonds before they were endorsed and has certainly been very complimentary to the Congress for having followed through on that idea.

Senator HARKIN. Would there be tax consequences if you, in fact, just said, you can get student aid. It is sort of like asset levels. We set asset levels. But if you had a certain savings program that you were involved in, that was specifically designed for education, as these savings bonds are, that if you had that, that would not be counted in your asset level.

Mr. KOLB. We could certainly look at that.

Senator HARKIN. I would appreciate it if you would look at that and get back to us on that.

[The information follows:]

FAMILY SAVINGS

The student financial programs are designed to remove financial barriers to higher education and to equalize the price of postsecondary education across income levels. As a result, those students with the least amount of income and assets will tend to receive the greatest level of financial assistance.

Financial aid is available for many families with considerable savings and assets. The Federal need analysis formulas (Pell Grant and Congressional Methodology) provide for the protection of a sizeable portion of the parents' assets when determining a family's ability to pay for college. Because families use their assets for a variety of reasons other than to pay for postsecondary education, such as retirement, an asset protection allowance is subtracted from the net worth of family assets before any contribution toward school costs is calculated. For example, in the Pell Grant program, the first $25,000 of savings and the first $30,000 of net home asset value are excluded in the determination of need. Even if those offset levels are exceeded, only 5 percent of the remaining sums are expected to be contributed toward the student's educational cost. In the Congressional Methodology formula, the size of the asset protection allowance varies with the age of the older parent, increasing as the parents approach retirement.

Clearly, the need analysis formulas do not heavily penalize families who save. On the other hand, savings cannot simply be ignored since this is a strong indicator of a family's ability to pay for higher education. The system now in place strikes a balance between the need to encourage family savings and the need to consider a small portion of that savings as available to pay for college costs.

The Department certainly favors family savings as a means of financing higher education costs. The recently enacted College Savings Bond program provides a tangible tax incentive to families to save for their children's college costs because the income earned on the bond is tax-free. While there are certain income restrictions on the use of this program such as a phase-out of eligibility for families earning between $60,000 to $90,000, it is nevertheless a very attractive program which will stimulate family savings through a tax incentive.

NATIONAL SCIENCE SCHOLARS PROGRAM

President Bush's budget amendments for 1990 ask that we provide $5 million to support merit grants to high school seniors who excel in science and math. The funds will be used to pay for $10,000 scholarships for undergraduate study in these fields.

Again, I encourage this, but I want to know, do you think that this initiative, the President's initiative, is targeted at the right place?

For example, is it not true that, while we can use more science scholars at the undergraduate level, our critical deficiency is in convincing undergraduates to pursue graduate work in science instead of law or business or medicine?

When you are an undergraduate, rather than going to graduate school, they go into areas where they think they can make more money in a shorter period of time. So, are we really focusing on that with these undergraduates?

Mr. KOLB. Well, I think we are, but I do not think it is going to be the only thing that we can do that will fix it. I think it is one of a number of things. We are also focusing on math and science teaching at the elementary and secondary level. I think that may have some impact as well, in terms of whether students go on to pursue math and science in college.

Certainly, you have to look at the continuum here of what students are going into, but the President wants to recognize the need to address a particular area and would provide a total of 570 scholarships each year. He is very committed to this.

I think everyone agrees that we are extremely deficient in math and science in this country. This is one of the things that we can do.

Senator HARKIN. Well, I have got to tell you, I think one of the reasons we are deficient in math and science is because we wait too long to start teaching math and science. And again, it gets down into preschool and early years, and that is where we have got to start focusing some efforts.

Mr. KOLB. I would point out that Senator Glenn has introduced legislation which, I think, is similar to the National Science Scholars Program that the President introduced on Wednesday. I believe Senator Glenn is very positive about what the President has done.

We want to work together with him and you and others to pursue this. I am sure that he has recognized this critical need, in part, because of his own background.

We welcome your support on this proposal.

TRIO PROGRAMS

Senator HARKIN. One other area I wanted to specifically cover before we adjourn here is the TRIO programs. These are programs I have seen operate. I had a very high opinion of the TRIO programs.

I am sure you are aware that we have seen some disturbing studies indicating that minority enrollment in higher education is actually declining.

Other studies have indicated that students more and more believe that college is outside their financial means, and they are not aware of the amount of student aid that is available.

You are requesting an increase for the Federal TRIO programs designed to reach out to disadvantaged students and to make them aware of the opportunity to go on to college. These programs, I would point out, have had an extraordinary success rate in Iowa.

But, unfortunately, they reach a very small percentage of the population that need the help.

Now, let me see the budget figures on the increase. If I am not mistaken, it was just a 3.4 percent increase in the TRIO programs?

Ms. CHRISTENSEN. That is correct.

Senator HARKIN. Given the growing percentage of students who are poor or are minorities, and the fact that the rate of minority students enrollment in higher education is declining, and I believe, given the fact that the TRIO programs have proven themselves successful, should we not be doing more in this area than just the basic 3.4 percent?

Mr. KOLB. Well, I think if you look at the overall budget for the Department and the access to postsecondary education that it offers, it is a pretty solid commitment. We have increased TRIO. We could agree or disagree as to whether it is enough, but we think that the opportunities there in our budget are good ones.

I would point out, you raised the issue of enrollment for minorities.

Senator HARKIN. One percent of the budget.

Mr. KOLB. Excuse me?

Senator HARKIN. One percent of the Department of Education's budget goes to these TRIO programs, 1 percent.

Ms. CHRISTENSEN. Senator Harkin, we agree with you completely on the TRIO program.

Senator HARKIN. You agree they have been successful?

Ms. CHRISTENSEN. They have been successful. We agree that we cannot reach all of the students in the Nation that need this assistance. The TRIO program reaches some 540,000 students a year, and that is all.

TRIO EVALUATION PROJECT

What we are proposing, then, in our budget, is a $1.5 million evaluation program, whereby we would study in-depth several hundred of the TRIO programs that have been going on for a number of years. We want to look at the most successful ones, see what makes them work, and why they are reaching the children, why they are encouraging them to go to college, stay in college, and to do well.

Many of them even go on to graduate education. It is going to take a little while to do that study, but we want to identify those particular kinds of programs that really work, and then disseminate them to all colleges and universities in the country. That way, we can make these dollars go really far, we think, and have an impact on all minority and disadvantaged students around the country.

We are never going to be able to do so much by increasing program funds. We could double the program this year, and you are still not going to reach the total number that needs to be reached.

Senator HARKIN. You say this is a study you are doing?

Ms. CHRISTENSEN. We are proposing it. We have $1.5 million—that is all—that we are requesting in our 1990 budget, so that we could begin that this year.

Senator HARKIN. You are taking $1.5 million out of the TRIO program for this?

Ms. CHRISTENSEN. We are not taking it out of anything that has already been appropriated. We have built it on top of our request for fiscal year 1990.

Senator HARKIN. So it is part of the $8.9 million increase in the TRIO program?

Ms. CHRISTENSEN. That is correct.

Senator HARKIN. So then it is less than a 3.4 percent increase?

Ms. CHRISTENSEN. No; the programs themselves have a 3.4 percent increase in the basic TRIO programs. The $1.5 million is an add-on.

Senator HARKIN. OK. Thank you.

Again, I would hope that you would, in that study, see if there are ways that we can make the TRIO dollars go further to reach more students. And I guess that is really what you are saying?

Ms. CHRISTENSEN. In fact, yes; we would be happy to work with your staff as we plan and develop and carry out the evaluation.

LIBRARIES

Senator HARKIN. One last thing. You know also, I chair the Subcommittee on the Handicapped, and we had several bills last year signed by President Reagan, and we are going to have another major piece of legislation this year on the handicapped.

Your budget proposed a freeze in overall funding for libraries. Your budget argues that since increasing the access of Americans to libraries is no longer an issue requiring Federal intervention, that we should retarget State formula grants to improve the quality of library services for the economically disadvantaged and the handicapped.

Is it your view that access to libraries is no longer an issue needing attention in rural America or for handicapped citizens?

Mr. MANNO. Sir, in fact, the Library Services Improvement Act that we propose would target approximately 66 percent of the money that we propose to spend toward services to disadvantaged and handicapped people, which is more than has been made available for those kinds of services in the past.

We are not really cutting back on the amount of money available for services to disadvantaged populations or handicapped populations, but actually proposing to target the money more specifically to those groups.

Senator HARKIN. Do you have any data to show whether or not handicapped citizens are using libraries more or less than they have in the past? What the usage has been? Is there any kind of data at all on that?

Mr. MANNO. I do not know of any, but certainly we will be glad to check on that. If, in fact, we do, we will make it available to you.

Senator HARKIN. Many times I have visited people who are handicapped, who are trying to maintain themselves in their own homes. I just remember seeing a couple or three times where they had library books. And I questioned, you know, do they get to the library?

In one instance in Iowa, where they had obviously a traveling library where they have the bookmobile come around that services them, and I would just wager, I would just bet that, in terms of the population of handicapped citizens compared to the overall population and how they utilize library services, I will wager without even knowing the data, I will wager it is higher among handicapped citizens than nonhandicapped citizens.

Mr. MANNO. I know, in fact, that there are several projects in the State of Iowa that are being supported by LSCA. In particular, I can point to one that provides telephone services for an estimated 6,000 deaf and hearing-impaired persons in the southeastern part of your State.

A program like that would continue to be eligible for funding under the Library Services Improvement Act that we are proposing. In fact, we are requesting $91 million for title 1, which, as I said, would target service to disadvantaged people and handicapped individuals.

Senator HARKIN. How does that compare to the last year?

Mr. MANNO. Well, it is hard to make those comparisons, because we are proposing an entirely new library act, but in terms of the overall request, we are requesting level funding.

We are requesting a little over $137 million for library programs, which is what the fiscal year 1989 appropriation was.

The numbers are the same. We think that the library legislation we are proposing would provide a better focus for Federal assistance than the LSCA and Higher Education Act do.

Senator HARKIN. Well, thank you all very much for being here. Mr. Kolb, thank you again for being so responsive to our questions. We look forward to working with you in the future, both on this level and also on the staff level, to get this information through.

I want to compliment you and Secretary Cavazos on your determination to really reduce these default rates and get on it right away, as soon as possible.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Of course, we now will move ahead to public witnesses and witnesses outside of the Department. We will be back with you, I assume again, in 2 or 3 weeks, as we begin to mark up our appropriations bill.

Well, I am told it is in June. But, again, I appreciate your willingness to work with us and your determination to get at these default rates. It is very encouraging.

We will have some additional questions which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

STUDENT AID

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

REASONS FOR HIGH DEFAULT RATES

Question: Mr. Kolb, you heard my discussion with Mr. Thomas, the Inspector General, regarding the significantly higher default rates experienced by students who attend proprietary schools.

Another way of viewing this situation is that 57 percent of the schools with default rates over 20 percent are proprietary schools, and 75 percent of the schools with default rates over 80 percent are proprietary schools.

Mr. Kolb, what is the Department's view as to why proprietary schools have such a high default rate, and what do you suggest as the best remedy or series of remedies to address the problem?

Answer: Proprietary schools have a high default rate because, in some cases, the profit objective may override the school owner's interest in providing high quality education and lend to abuses of students and Federal aid. Such abuses lead to high default rates. Many of these abuses stem from school practices to maximize head counts and thus revenue. This becomes the school's primary goal rather than educating students.

In an effort to address the root causes of defaults, the Secretary will shortly be promulgating final regulations on default reduction. Those regulations, and additional legislative and regulatory measures which we will be announcing, seek to address the major causes of default in all sectors of postsecondary education. In the undergraduate nonbaccalaureate vocational training sector -- proprietary, State, and private non-profit — we believe the principal causes of the high default rate are (1) enrollment of students lacking true ability to benefit, (2) inadequate educational and support services, (3) inadequate job placement, and (4) borrowers lack of understanding of their rights and obligations on Stafford loans. The Secretary will be taking regulatory and administrative actions to remedy these problems in the near future. He will also propose legislative amendments that will address the problem of high default rates at proprietary schools.

IS THE DEPARTMENT'S OVERSIGHT AND ENFORCEMENT EFFORT ADEQUATE?

Question: Mr. Kolb, I want to direct your attention to the same chart that was discussed with the Inspector General. It shows that while the number of proprietary schools participating in student aid increased 50 percent the number of institutional reviews made by the Department decreased. Just last year, we added money to your budget to reverse this trend.

But you can also see that during the same period, the number of actions taken by the Department to limit, suspend, or terminate institutions from the aid programs declined or held steady. You heard the Inspector General's views on this.

Do you feel this reflects an adequate level of enforcement and oversight?

Answer: No, and we will substantially increase our enforcement activities this year and next. The number of limitation, suspension and termination actions alone does not adequately convey the complete results of the Department's enforcement actions. Some schools close, lose their accreditation or State license, or file for bankruptcy after a program review or audit, but before the Department can initiate a limitation, suspension or termination action. These schools are not reflected in the statistics on (LST) cases.

Further, the Department has made various legislative and regulatory proposals to address abuses uncovered during program reviews and audits. Unscrupulous individuals, however, continually find new ways to take advantage of the programs. When we become aware of patterns of abuse that we believe can be reduced or prevented by regulation or legislation, we will continue to propose remedies.

Question: Do you have any plans to reverse these trends?

Answer: The Office of the Inspector General (OIG) and the Office of Postsecondary Education (OPE) are working closely on these issues and are pursuing new approaches when possible. Both the OIG and OPE are devoting more staff resources to on-site reviews. We expect that increases in compliance reviews will increase the number of administrative action cases. We have recently added additional staff to this function to handle this increase in workload.

Question: Do you believe that schools can be engaging in fraud and still have their files sufficiently in order so as to "pass" a program review by the Department?

Answer: Unfortunately, yes, program reviewers have very limited time and can only examine a small number of files and records. Alteration or falsification of records is not always apparent. Without a tip or allegation from students or employees, it is quite possible that fraudulent practices will not be detected during a program review. However, our reviewers are likely to detect major program violations and indications of fiscal or administrative incapability, which are frequently found at schools where fraud or abuse is widespread.

DECLINING REVIEW OF LENDERS AND GUARANTORS

Question: One thing this chart does not show is that during the same period, the Department also allowed the number of its reviews of banks and guarantee agencies participating in the student loan programs to decline.

Mr. Kolb, given the scope and size of the student loan default problem, are you satisfied that the Department has done an adequate job of oversight in these areas as well?

Answer: The Department agrees that it is desirable to increase the number of reviews of lenders and guarantee agencies. Of the 90 additional positions for program compliance, about one-third are allocated to the lender and guarantee agency review function, more than doubling the existing number of reviewers. After the newly hired reviewers have been fully trained, we expect the number of lender reviews to increase substantially. During the past year, we also established a separate Lender and State Agency Review Branch to provide improved leadership and direction to this very important area.

Under regulations which became effective in 1986, each guarantee agency is required to conduct biennial reviews of its largest lenders and schools. Some agencies review more than the required minimum.

The Department places a very high priority on compliance reviews of guarantee agencies. Our goal is to review each agency once every two years. Ten guarantee agency reviews were completed in fiscal year 1988 and 18 guarantee agencies are also subject to a biennial audit requirement. The Office of the Inspector General also conducts reviews of guarantee agencies and lenders.

Since many lenders use a servicing agent to administer their student loans, the Department also has begun to conduct reviews of servicers. Since one servicer handles accounts for many individual lenders, this approach enables us to perform multiple lender reviews in a cost-effective and more efficient manner.

We think the above efforts will have a significant impact on promoting accountability in the student loan programs.

IS ENFORCEMENT SUFFICIENT TO SOLVE THE PROBLEM?

Question: Mr. Kolb, again from the New York Board of Regents study, it is suggested that monitoring and enforcement alone will not solve the problem. The report states the following:

"...there are a number of reasons why serious problems persist and why monitoring and enforcement are insufficient means to control them.

"The profit is not in having successful students but in enrolling as many students as possible irrespective of whether the students are able to do well in the program.

"The incentives to take advantage of students and the financial aid programs are too great...Monitoring is too time consuming...Enforcement is too slow.

"Penalties are not severe enough (some school owners see fines simply as part of the cost of doing business).

"There are therefore two incentives for proprietary vocational schools to ignore the State regulations. The first is the amount of money that can be made by those schools that choose to ignore them. The second is the knowledge that it is unlikely that they will be

caught, and if caught will probably only be required to pay a fine which is far less than the financial gain associated with improper practices."

Do you agree that additional monitoring and enforcement alone will not bring down the default rate?

Answer: Yes. Although we believe increases in monitoring and enforcement are needed, it is absolutely clear that enforcement of existing legislative and regulatory policies alone will not bring down the default rate.

The Department is thus proposing regulatory and legislative changes to reduce defaults. These include:

- o LST Action: Schools with very high default rates would be subject to LST action unless they implemented all default reduction measures listed in forthcoming regulations.

- o Management plans: The Department would require schools with unacceptably high default rates to implement appropriate default reduction measures designed to address the specific causes of default at that particular school.

- o Disclosure Requirement: Require schools offering an undergraduate non-baccalaureate degree program to disclose, prior to the student's enrollment, the following information: State licensure or certification requirements, pass rate of graduates of the program, job placement rate of students who graduated from the program, and completion rate for students in the program.

- o Initial Counseling: Require schools to conduct in-person loan counseling with each borrower prior to release of the first disbursement, emphasizing the seriousness of the repayment obligation.

- o Exit Interview: Require schools to conduct in-person exit interviews with each borrower shortly before the borrower ceases at least half-time study at the school, providing information regarding indebtedness, repayment obligations and options, debt management strategies, and consequences of default. Require schools to obtain the addresses of the borrower's next-of-kin, the borrower's expected address upon leaving school, and the name and address of the borrower's expected employer.

- o Pro-rata Refund Policy: Require high default rate schools to use mandated tuition refund policy under which schools may retain the percentage of loan funds equal to the portion of the student's program actually completed prior to withdrawal.

- o Delayed Disbursement: Require schools to delay the first disbursement for first-time borrowers until 30 days after the beginning of the enrollment period.

- Ability to Benefit: Require schools to follow more stringent standards when admitting students who do not have a high school diploma or its equivalent.

In addition, we are continuing to review our student aid policies to determine whether other changes in policy are necessary.

DOES THE NEW YORK BOARD OF REGENTS EXAGGERATE THE PROBLEM?

Question: Mr. Kolb, I am not sure where the facts lie, but let me read to you from the New York Board of Regents report as to the cause of the proprietary school problems which lead to high default rates:

"The origin of most current problems in proprietary vocational schools is the enormous amounts of money available for student aid. A school can gross millions of dollars a year by having enrollees apply for some combination of Tuition Assistance Program (TAP) grants [that's a State grant program], Pell Grants, or Guaranteed Student Loans (GSL). A number of schools gross tens of millions of dollars per year in payments supported by Guaranteed Student Loans alone.

"Given liberal refund policies on all but TAP, many schools have adopted a strategy of enrolling as many students as possible, irrespective of whether the students are qualified or interested in a particular course of studies, and irrespective of whether they are able to complete the program.

"The situation has fostered a multi-million dollar industry centered around recruiting enrollees to proprietary schools. Recruiters may obtain anywhere from $25 to $600 a head for sending prospective candidates to the admissions office of a proprietary vocational school. Pay is typically higher if the candidate enrolls. Audits in several schools have suggested that money spent on recruitment was greater than that spent on instruction."

Is this statement of the problem an exaggeration or is it consistent with what your studies have found?

Answer: The New York Board of Regents statement is consistent with our studies and experience. In some cases, the profit objective appears to override the owner's interest in providing high quality education and lead to abuses of students and Federal will. Such abuses lead to high default rates. A recent study commissioned by the Department corroborates numerous reports of abuses by proprietary schools. Many of these abuses stem from school practices to maximize head counts and thus revenue. This becomes the school's primary goal rather than educating students. Abuses which lead to defaults include:

- Aggressive and unscrupulous recruiting
- Abuse of the ability to benefit provision by ignoring or falsifying entrance test scores
- Preparing false and misleading student aid applications

- Low quality training programs

- Failure to pay tuition refunds and unfair refund practices

ARE DEFAULT RATES HIGH BECAUSE OF DISADVANTAGED STUDENTS?

Question: Mr. Kolb, the Department has provided us with data showing that proprietary schools have higher default rates across all income categories as compared to other sectors of postsecondary education, including the community colleges.

Some analysts have observed, however, that among the lowest income students, proprietary schools should still be expected to have higher default rates since they are more likely to be located in the inner cities and serving populations that are made up almost entirely of disadvantaged students, not a mix of students from all incomes.

What is your view of this position?

Answer: A proprietary school that primarily serves disadvantaged students may have a higher default rate than a school serving a mix of students from all incomes, but there are many proprietary schools located in the inner cities that have reasonable default rates. A student who completes an academic program and receives a high quality education is more likely to find employment that will enable him or her to repay the loan. On the other hand, a student may refuse to repay a loan if he or she did not receive adequate educational services and is unable to obtain a job.

Question: Do you believe that low-income students in the inner city are more likely to default than low-income students in rural or suburban areas?

Answer: All other things being equal, we believe that a low-income student in the inner city is no more likely to default on a loan than a low-income student in a rural or suburban area.

Question: Do you believe this completely explains why proprietary schools have higher default rates among low-income students as compared to the community colleges?

Answer: In some cases the profit objective may override the school owner's interest in providing quality education and lead to abuses of students and Federal aid. Also, the quality and cost of academic programs at community colleges are often more strictly scrutinized by State and local authorities than are those at proprietary schools. Also, the admission and recruitment practices of community colleges are often more strictly controlled than are those of the proprietary schools. However, some community colleges have default problems that are just as serious as those at the most troublesome proprietary schools.

WHAT DO GOOD SCHOOLS DO TO KEEP THE DEFAULT RATE DOWN?

Question: I do not want to leave the impression that there are not a very significant number of very fine proprietary schools with very low default rates. I understand the Department has contacted a number of these schools to find out how they keep their default rates down.

Mr. Kolb, what can you tell the Committee about the practices that result in low default rates at various proprietary schools?

Answer: There are three key things which I believe a proprietary school must do to have a low default rate. First, they must enroll only those students who have the ability to benefit from the program of study being offered. Second, they must represent themselves accurately to the prospective students. Third, they must deliver what they promise. If proprietary schools do these three things, then they will have a low default rate.

As you know, the Department is in the process of developing final regulations which we expect to result in a reduction of the default rate of many institutions. We expect that these regulations will touch on some of the things which institutions should do to reduce their default rate such as requiring vocational and trade schools to disclose certain information to prospective students. Other areas, however, such as admitting students on the basis of ability to benefit requires legislative action because the Department is currently prohibited by law from regulating in this area.

DROPOUT RATES ARE NO WORSE THAN COMMUNITY COLLEGES

Question: The New York Board of Regents noted substandard program quality and low rate of student success as two problem areas for proprietary schools. The National Assessment of Vocational Education performed by your Department last year showed that in 1980, 52 percent of proprietary students dropped out before finishing their program. But that same report showed that two-year colleges had about the same dropout rate.

Are proprietary schools getting more than their fair share of negative attention on the dropout issue?

Answer: Both proprietary schools and two-year colleges can and should do more to lower their dropout rate. What has caused the concern in recent months, however, is the high rate and cost of defaults at proprietory schools, which result from more than the dropout rate at proprietary schools.

While two-year colleges have a relatively high dropout rate, the default rate for students who attend these institutions is a full 10 percent below that of proprietary school students. This suggests that the problem is more than just the dropout rate, although that is a major cause of defaults. In general, the difference seems to lie in abusive recruitment and admission practices and shoddy program quality at many proprietary schools.

Question: Should we just expect a 50 percent dropout rate from programs of this kind or is there something we can do to improve the rate at both the community colleges and proprietary schools?

Answer: Again, I do not believe that we should expect or accept a dropout rate as high as 50 percent. Instead, we should demand that institutions be accountable and reduce their dropout rate. To accomplish this, I believe that institutions with high dropout rates should do the three things I outlined above:

- o enroll only those students who have the ability to benefit from the program of study being offered;
- o represent themselves accurately to the prospective students; and
- o deliver what they promise.

If proprietary schools, as well as other postsecondary institutions, do these three things, they will go a long way toward reducing their dropout and default rates.

DOES CONGRESS SHARE THE BLAME?

Question: While I feel that the Department should have been doing more reviews and audits, and should have been issuing more fines and penalties, I also wonder if we in Congress have given the Department enough authority to address this problem.

For example, current law prohibits the Department from regulating the "ability-to-benefit" provision. The schools, alone, are allowed to determine whether their students have the "ability to benefit" from their program and, thus, qualify for Federal aid. In fact, current law forbids the Department from requiring the accrediting agencies to implement a minimum standard for students to demonstrate the "ability to benefit".

Do you believe that the Congress, in some instances, has tied your hands from fully addressing these problems?

Answer: Yes. By prohibiting the Secretary from regulating in the "ability-to-benefit" area the Congress nullified a 1986 Department regulatory initiative which would have required passing a basic reading examination. The Department has repeatedly sought stricter "ability-to-benefit" statutory provisions.

LEGISLATIVE PROPOSALS TO LOWER DEFAULT RATES

Question: In what other areas do you believe the student aid laws have limited your ability to tackle problems in proprietary schools or the default problem overall?

Answer: The Department has proposed several legislative changes that would address the still unacceptably high costs associated with student loan defaults. For example, we believe default rates would be substantially reduced if the following legislative amendments were enacted.

- o Risk-sharing with Lenders: The lender's insurance level would be reduced from 100 to 90 percent in order to introduce a concrete financial incentive for lenders to pursue greater collection diligence before filing default claims.

- o Risk-sharing with Guarantee Agencies: Similarly, in order to stimulate greater collection diligence by guarantee agencies, the Federal reinsurance of default claims paid by guarantee agencies would be reduced from 100/90/80 percent to 90/80/70 percent depending on default experience. Also, the "default trigger" formula would be reformed to take agency collections into account and to apply the reinsurance reduction to a full fiscal year.

- o Delayed Disbursement: Require schools to delay the first disbursement for first-time borrowers until 30 days after the beginning of the enrollment period.

- o National Student Loan Data System: The statutory prohibition against use of the newly authorized National Student Data System for enforcement of borrower eligibility rules would be deleted as a condition of full implementation of the system. Thus, loan limits would be more easily enforced and defaulters would be prevented from receiving further student aid. More complete and more accurate information coming from the National Student Loan Data System also would improve collection efforts by making it easier to locate borrowers and reduce the likelihood of erroneous reporting of loans in default.

WHY DOES DEPARTMENT ACCEPT ALL ACCREDITING BODIES

Question: As I mentioned earlier, the Committee was told last year that the Department has never utilized its authority to decertify an accrediting body.

Has the Department ever rejected the application of an accrediting body?

Answer: Yes. The Secretary has rejected applications of accrediting bodies after a full public hearing and after considering the recommendations of the National Advisory Committee on Accreditation and Institutional Eligibility as well as Department staff recommendations. Most recent examples include petitions from a group associated with Montessori schools and the Transnational Association of Christian Schools.

Question: My understanding is that not only has the number of proprietary school accrediting bodies grown but that certain of these accrediting bodies have themselves grown very rapidly in the last few years.

Do you believe that accrediting bodies can simultaneously grow very rapidly and maintain tight standards and proper oversight of their institutions?

Answer: Rapid growth of an accrediting agency and its maintenance of tight standards are not mutually exclusive. The growth is indicative of a pressing demand for education opportunities as well as a demand for appropriate accreditation and credentialling.

Such a combination of rapid growth and rigorous enforcement of standards requires the following elements to be present: a competent, experienced staff that expands in keeping with the workload; clear and comprehensive standards and procedures; adequate written and consultative guidance given to the applicant institutions; proper training and guidance given to the applicant institutions; proper training and guidance given to visiting team members and others who participate in the accreditation process; and a careful monitoring of that process and its outcomes with adequate attention given to the validity and reliability of the elements used in the accreditation.

Question: Does the Department see a "fox guarding the hen house" problem when it comes to the accrediting bodies?

Answer: Accreditation by its nature is a system of peer evaluation. Abuses could occur if the Department takes no precautions to minimize this problem under the current accreditation agency approval system. However, there are provisions built into the "Criteria for Recognition" to guard against this situation. One is the required inclusion of public members on accrediting bodies or as advisors to accrediting bodies. Under the previous criteria there was a provision for representation from the "community of interests" in the process, which is still encouraged --consequently, agencies include not only persons from accredited schools, but often practitioners in specialized areas, outside educators, representatives from licensing boards, and somtimes students. Because of potential for conflict of interest abuse, the Department does its best to assess each petition for recognition to assure that agency safeguards are in place and are working.

However, we recognize that accreditation is a system of non-governmental peer evaluation, and was not originally designed to provide an oversight function in protecting the Federal Government's interest. If accrediting agencies are to be heavily relied upon in performing such an oversight, the composition of the accrediting bodies and the Department's role in recognizing accrediting agencies may need to be strengthened.

Question: Do you see competition between the accrediting bodies leading to the lowering of standards by some or all of the competitors?

Answer: We do not have any evidence that would indicate some accrediting bodies are lowering their standards to retain or recruit members. However, we are concerned about this possibility and we are reviewing the Department's role in monitoring the standards used by accrediting agencies.

Question: Does the Department have any plans to review the manner in which it approves and reviews the accrediting bodies?

Answer: We are currently reviewing the Department's procedures for approving and reviewing accrediting agencies. After this review is completed, we may propose legislative, regulatory, or administrative changes as appropriate.

WHY DOES IT TAKE SO LONG TO DISCOVER FRAUD?

Question: I would like to ask you the same question I asked the Inspector General.

Why does it take so long to uncover examples of fraud in the student aid programs? How is it possible for a program that should not have been eligible to participate in the aid programs, like Superior Training Trucking, to continue to draw down roughly $1 million a week from the Department and go undetected for years?

Answer: This is a very complex subject. Under our system of justice and due process, we must be able to prove and provide documentary evidence of fraud, abuse or program violations in a court of law. Even administrative actions, such as terminations, require sound documentary evidence, although the rules of evidence are not as rigorous as those for a criminal case.

Frequently, our reviewers and investigators have knowledge or suspicion of abuse, but are unable to obtain the witnesses or other documentation to support a case. The school owners against whom actions are taken can hire the best lawyers and can frequently mount a successful defense on technical grounds. The Superior case is a good example of this problem. The Government made an administrative decision about program eligibility which was immediately overturned by a District Court upon appeal by Superior's attorneys.

Unscrupulous school owners are also adept at using loopholes to their advantage and skirting the limits of the regulations. These cases are probably the most difficult to address. We suspect that congressional intent is being subverted, but either the law or regulation permits the questionable practice. To correct these problems, the Department can only undertake the somewhat laborious and frequently unsuccessful process of proposing new legislation or regulation. For every loophole we plug, we know that another type of abuse may result. These problems are not unique to student aid, but are faced by all enforcement agencies.

Question: The New York Board of Regents study would indicate that cases like the Superior Trucking case is just the tip of the iceberg.

Do you believe that is the case? If so, what steps would you advocate in addressing a problem of this magnitude?

Answer: Whenever there is the potential for large profits, such as those that some schools have reaped from the student aid programs, there is the potential for extensive abuse. Based on studies such as the one in New York, there is also a legitimate question about the value of training being provided to certain individuals in terms of actual employment skills. These are very complex questions and involve the very essence of the current

student aid program structure. I would certainly support a thorough and comprehensive analysis of whether the current approach to financing vocational and skill training is achieving expected results and whether there are more effective alternatives that would also eliminate some of the opportunities for abuse under the current structure. We will be announcing very shortly a comprehensive set of regulatory and statutory changes designed to change the current incentive structure which rewards enrollments rather than positive outcomes.

DISINCENTIVES TO SAVE MONEY FOR COLLEGE

Question: One common criticism of our Federal student aid system is that families do not have any kind of incentive to save for college. Whatever money they are able to save over the years is immediately counted against them when they seek eligibility for Federal student aid. As you know, the Congress enacted a new savings plan that provides a tax incentive to invest in U.S. Savings Bonds for future tuition expenses. Still, if you invest in these bonds, the savings is immediately taken away from your eligibility for other Federal student aid.

Do you believe we should have more incentives in the student aid system for savings?

Answer: I believe savings under the new College Savings Bond program will affect eligibility for our student aid programs exactly as is now the case for other forms of family saving. Family savings are not counted dollar-for-dollar against aid eligibility. Rather, a portion of the family's net assets are excluded from the eligibility calculation and the maximum marginal assessment of the net assets remaining after this exclusion is less than six percent. All students and family savings beyond this minimal level do not affect student aid eligibility.

Until the College Savings Bond program is fully operational, additional proposals to encourage savings are premature. (Only bonds purchased after December 31, 1989 will be eligible for the tax exemption.) This would seem an appropriate issue for analysis and discussion during the 1991 reauthorization of the Higher Education Act.

Question: Are we seeing instances where parents or individuals are actually divesting themselves of assets or savings to show greater eligibility for Federal student aid?

Answer: We believe that few parents and individuals are divesting themselves of assets or savings in the manner you have suggested. The student aid eligibility formulas include allowances which protect a portion of the net value of parental assets from assessment. After these exclusions, the maximum marginal assessment is less than six percent. Thus, little is gained by asset divestiture.

We are aware, however, that financial "planners" and "advisers" often suggest that students transfer their assets and savings to their parents since the maximum assessment of parental assets (less than six percent) is considerably less than the student's (35 percent). However, we do not know the extent to which this occurs.

ACCREDITATION

Question: I understand that the Department has been asked by private career school associations to participate in litigation resulting when schools lose their accreditation and has refused. Why?

Answer: I am not familiar with the specific instance referred to, but as a general rule, I do not believe it is desirable to place the Government in the position of defending an action initiated by a private party, even if it supports the party's action. There could be significant costs to the Government and probably legal barriers to doing so.

Question: How long does it take after the accreditation has been revoked by an accrediting commission for the Department to cut-off Federal assistance to the school?

Answer: Because accreditation is a statutory requirement for eligibility, loss of it results in immediate loss of eligibility for student aid. When notified of a loss of accreditation, the Department immediately revokes eligibility and notifies all interested parties, such as the guarantee agencies. This process generally takes less than two weeks. Loss of eligibility does not necessarily result in all payments to the institution being stopped. We allow for certain payments to be made for which commitments were made to students prior to loss of eligibility.

In some cases, schools have dual accreditation. Thus, loss of accreditation may not mean loss of eligibility. In some cases, schools which have lost accreditation by one agency were able to obtain accreditation by another agency which has lower standards. All of these factors impact on the effectiveness of the accreditation process in eliminating poor quality schools.

Question: Why did the Department permit Fiance to be sold? Was there an assumption of liability on the part of the new buyer? If there was evidence of fraud why didn't the Department take any criminal action against Fiance?

Answer: The eligibility of the Florida Fiance schools was terminated and we did not allow the schools to be bought and operated as Fiance schools. An existing eligible school, Carey Technical Institute, purchased the facilities and equipment at the sites of the former schools to open branches. These sites are accredited by a different body than the Fiance schools and Carey operates under entirely different policies and procedures. The Carey Institute met the Department's requirements for opening branch locations.

We met with Carey Institute officials and discussed a number of concerns about the school. According to these officials, Carey Institute is a non-profit organization established to provide skill training to disadvantaged individuals in a depressed area that was not being served by the community college system. As a result of this meeting, the Department's concerns were satisfied and no action was taken to block the transfer of assets.

With regard to criminal action against Fiance, we understand that this matter is still being pursued.

GUARANTEE AGENCY TERMINATION ACTIONS

Question: What is the Department's review procedure of limit, suspension, or termination actions by State guarantee agencies? How many schools have been referred by States and what is the current status of them? How long does it take for the Department to act on them?

Answer: The Secretary is authorized by statute to disqualify a lender or school that has been limited, suspended or terminated by a guarantee agency. The Secretary may take this action only if the guarantee agency has followed procedures that are essentially the same as the Department's. The Secretary is required to make this determination within 60 days of being notified by a guarantor. To date, two guarantee agencies have referred actions to the Department for action. In two cases, the Secretary sustained the guarantee agency's action. In the third case, the school lost accreditation before the Department's action was completed. The case was dismissed without prejudice to the Government.

The Department fully intends to affirm all guarantee agency termination actions. However, a problem arises in the case of suspensions and limitations. The governing statute provides only for nationwide disqualification of school or lender. Thus, if an agency only imposes a limitation on the school or lender, the Secretary cannot adopt this same limitation, but must instead disqualify the school or lender. This would effectively negate the agency's action and does not appear consistent with either common sense or congressional intent. Some agencies have not understood this statutory restriction on the Secretary's authority and believe the Department has not supported their actions. We may be seeking legislative changes in this area.

Question: It is my understanding that the Department reviewed every postsecondary institution that exceeded a 50 percent default rate last year and found no evidence of abuse at any of the institutions. Is this true?

Answer: No. The Department recently completed reviews at all schools identified by the Department in November 1987 as having default rates greater than 50 percent and 20 or more borrowers. In total, 314 schools met these criteria. Of the 314, the Department initiated various administrative actions against 15 of the schools and the schools subsequently closed. Another 9 schools closed for other reasons, such as loss of accreditation or State license. Also, the Inspector General had ongoing investigations at 16 of the schools.

Total liabilities assessed to date against the 314 high default schools as a group total about $8.5 million. This is an average of about $27,000 per review, compared to our normal average of $10,000 per review. The most frequent findings reported for this group were:

(1)Missing financial aid transcripts (106)
(2)Late refunds (87)
(3)Failure to maintain required loan records (62)
(4)Incomplete verification of application data (62)
(5)Overpayment of Pell Grants (55)
(6)Inadequate financial records (48)
(7)Satisfactory academic progress problems (38)
(8)Excessive withdrawal rate (31)
(9)Fiscal problems (30)
(10)Ability-to-benefit provision (e.g., absence of any documentation) problems (26)

These findings relate only to violations of current law and regulations found at the schools. Our reviewers do not assess the quality of education, the nature of admission/ability to benefit policies, the fairness of tuition refund policies, or consumer satisfaction -- areas in which abuses are frequently cited, and which lead to defaults. From our viewpoint, it would not be correct to conclude that there is no abuse at the high default schools.

PROGRAM REFORMS TO ADDRESS DEFAULT PROBLEMS

Question: The president of the American Council on Education stated that it may be time to develop a separate student aid system for proprietary schools.

Would you agree with that approach?

Answer: We do not recommend such a restructuring of the Federal student aid programs at this time. The Department is increasing its efforts to detect and correct abuses in the proprietary school sector.

The Department also is proposing legislative and regulatory changes which would apply to all schools, but would significantly affect proprietary and other schools whose practices contribute to high default rates:

- Limit/Suspend/Terminate Procedures: High default schools could be terminated from program participation.

- Default Management Plans: High default schools would be subject to management plans imposed by the Department.

- Disclosure Requirement: Require schools offering an undergraduate non-baccalaureate degree program to disclose, prior to the student's enrollment, the following information: State licensure or certification requirements, pass rate of graduates of the program, job placement rate of students who graduated from the program, and completion rate for students in the program.

- o Initial Counseling: Require schools to conduct in-person loan counseling with each borrower prior to release of the first disbursement, emphasizing the seriousness of the repayment obligation.

- o Exit Interview: Require schools to conduct in-person exit interviews with each borrower shortly before the borrower ceases at least half-time study at the school, providing information regarding indebtedness, repayment obligations and options, debt management strategies, and consequences of default. Require schools to obtain the addresses of the borrower's next-of-kin, the borrower's expected address upon leaving school, and the name and address of the borrower's expected employer.

- o Pro-rata Refund Policy: Require high default schools to use a tuition refund policy under which schools may retain the percentage of loan funds equal to the portion of the student's program actually completed prior to withdrawal.

- o Delayed Disbursement: Require schools to delay the first disbursement for first-time borrowers until 30 days after the beginning of the enrollment period.

Question: Might that approach cause us to ignore some of the deficiencies we have in the other sectors of postsecondary education?

Answer: It is true that there are problems in the Title IV student aid programs that would not be resolved by the elimination of proprietary schools from participation. In the area of student loan defaults, for example, the scope of the abuse in the nonprofit sector of higher education is evident in the fact that 45 percent of the institutions having default rates over 20 percent are nonprofit institutions. (These rates reflect the proportion of loans entering repayment status in FY 1985 that defaulted in FY 1985 or FY 1986.)

PERFORMANCE STANDARDS FOR TRADE SCHOOLS

Question: Mr. Kolb, we had Secretary Dole of the Department of Labor before the Committee a few weeks go. She told us that, in order for programs to continue to be eligible for funds under the Job Training Partnership Act, they must demonstrate a 70 percent course completion rate and job placement rate for their students.

The New York Board of Regents study estimated that there is a 30 percent completion rate for proprietary business schools in New York, far lower than the 70 to 80 percent completion and placement rate for dislocated workers under JTPA in New York.

Should there be completion and placement standards in order for proprietary schools to continue to be eligible for student financial assistance?

Answer: While we believe that completion and placement rates are important factors in evaluating an institution's educational quality and administrative capability, we do not recommend that they be used as absolute institutional eligibility criteria. In a notice

of proposed rulemaking published in the Federal Register on September 16, 1988 (53 FR 36216), we proposed that these two factors be included in consideration of an institution's capability to administer properly the Title IV student aid programs. If this provision is instituted, it will enable the Department to use these factors, in combination with the other factors proposed (such as the institution's default rate), in determining appropriate corrective action against a problem institution, be it a fine, limitation, suspension, or termination from program participation. The proposed administrative capability provisions would give the Secretary greater flexibility to consider the school's total administrative and financial picture, as well as allow for mitigating circumstances beyond the school's control, such as high unemployment and other adverse economic conditions, which may effect the placement rate.

The recently published proposed rule also would require proprietary institutions that participate in the Title IV student aid programs, and all other participating institutions offering undergraduate non-baccalaureate vocational programs, to provide consumer information to prospective students. Such information would include the program completion and job placement rates of the institution. This provision would allow the consumer the opportunity to make a more informed decision on which institution to attend in order to achieve his or her educational goals. In summary, the Department's current proposals are designed to highlight the importance of completion and placement outcomes, as well as to reduce and prevent problems and abuses which contribute to low completion and placement rates. Certainly, the JTPA approach merits serious attention for our Department's student aid programs. However, before moving to such a prescriptive approach, which would require new statutory authority, we would like to try the market-oriented, information disclosure approach.

Question: One of the complaints we hear about the JTPA programs is that they don't serve the most disadvantaged students because of these tough standards for continued funding.

If we were to implement these kinds of standards on proprietary schools, would we run the risk of cutting off the most disadvantaged students from any kind of job training?

Answer: If such standards are too stringent, they may result in an access problem for disadvantaged students. The provisions in the Department's proposed rule discussed in the previous answer would address institutional performance and misrepresentation problems with less risk of such an outcome.

FAMILY SUPPORT ACT -- JOBS PROGRAM

Question: Mr. Kolb, as you know, the Administration has requested $350 million for first year costs of a new job training program mandated by the Family Support Act of 1988. In 1991, this entitlement program is expected to exceed $1 billion. The new law gives States wide latitude in the types of job training to be provided welfare recipients, and many States are likely to subcontract with existing training institutions.

Don't you feel there is significant potential for a major upsurge in proprietary school training under the new JOBS program?

Answer: We have discussed the possible impact of the job training component of the Family Support Act with Department of Health and Human Services officials. Since States have broad discretion in their administration of the training provisions of the Act and since aid recipients under the Act are not required to pursue a postsecondary education, it is difficult to estimate the effect the new provisions will have on postsecondary school enrollments. However, we are continuing to review the matter, including information about New York's administration of similar provisions at the State level. We will let you know if we are able to draw any conclusions about the potential impact of these new Federal provisions.

Question: Mr. Kolb, as part of the Welfare Reform initiative, the Administration is requested $350 million for first year costs of a new job training program mandated by the Family Support Act of 1988. In 1991, this entitlement program is expected to exceed $1 billion. The new law gives States wide latitude in types of job training to be provided to welfare recipients, and many States are likely to subcontract with existing training institutions.

Don't you feel there is significant potential for a major upsurge in proprietary school training under this new training program?

Answer: We have discussed the possible impact of the job training component of the Family Support Act with Department of Health and Human Services officials. Since States have broad discretion in their administration of the training provisions of the Act and since aid recipients under the Act are not required to pursue a postsecondary education, it is difficult to estimate the effect the new provisions will have on postsecondary school enrollments. However, we are continuing to review the matter, including information about New York's administration of similar provisions at the State level. We will let you know if we are able to draw any conclusions about the potential impact of these new Federal provisions.

CHANGING DEMOGRAPHICS IN HIGHER EDUCATION

Question: Two reports were published over the last year that highlighted how student populations in higher education are changing. Both studies point to the fact that student bodies are getting older. The College Board pointed out that students over age 25 now make up over half of all college enrollments. The Department of Education's study entitled High School and Beyond reported that a greater number of students are delaying entering college for financial reasons.

Do you believe the current structure of the student aid programs treats older students fairly? Are the student aid programs still designed primarily for the 18 year olds who attend college right out of high school?

Answer: The student financial aid programs award assistance on the basis of financial need as determined by applying the Pell Grant and Congressional Methodology eligibility formulas. Several major changes to these need analysis formulas were prescribed by the 1986 amendments to the Higher Education Act and have positively affected older students. For example, because independent students with dependents have financial demands other than contributing toward college costs, they are now treated in a manner similar to the parents of dependent students and consequently benefit from higher offset amounts and lower assessment rates in the eligibility formulas. The formulas were also modified to consider favorably the special circumstances of displaced homemakers and dislocated workers -- both of which are categories of students generally much older than those entering college immediately following high school graduation.

The campus-based programs (Supplemental Educational Opportunity Grants, College Work-Study and Perkins Loans) are awarded on the basis of need as calculated using the Congressional Methodology formula. Age is not a factor in determining student eligibility for these or any of the other student financial aid programs.

Stafford Loans and Supplemental Loans for Students (SLS) have helped many older independent students. Older students who demonstrate need have taken advantage of Stafford Loans for many years. Under the SLS program, where students do not have to show need, the volume of loans has increased dramatically in the past few years.

Also, Pell Grant eligibility was expanded to less-than-half-time students for the first time in 1989. This liberalization of the eligibility requirements is expected to result in the addition of a new group of students who tend to be married, independent and older than traditional college students.

Data from the Department's 1987 National Postsecondary Student Aid Study (NPSAS) confirm that Federal aid is available to disadvantaged students of all ages. Of the undergraduates enrolled in the fall of 1986 who received Federal aid, 59 percent were 24 years of age or older.

While it's possible that more could be done to accommodate the needs of older and working citizens, I think that the current structure of the student aid programs accommodates all students, not merely the traditional 18-year-old high school graduate, and that the need analysis formulas do treat all applicants fairly.

EFFECT OF FEDERAL STUDENT AID ON COLLEGE COSTS

Question: Secretary Bennett was very outspoken in his view that many colleges were raising their costs because they could leverage additional Federal student financial aid by doing so. Other studies have reported the opposite, that colleges have had to raise their costs because the Federal aid programs have not kept up with inflation.

Does this Administration have any view on that question?

Answer: In certain circumstances it appears that the availability of student aid does contribute to raising postsecondary costs of attendance. For example, the proprietary sector frequently attracts students by advertising the availability of Federal student aid to meet educational costs. This juxtaposition of aid availability and costs strongly suggests that aid availability does indeed contribute to rising costs in some cases.

However, the relationship between increased aid availability and rising costs generally is not clear. It is true that college costs are increasing at a rate greater than inflation--for example, the average student is paying 7 percent more for tuition and fees in 1988-89 than in the prior academic year, compared with inflation of about 4 percent in the same period. However, the educational community argues that college costs are rising faster than inflation because of factors such as the high cost of replacing aging facilities, purchasing scientific equipment, and increasing faculty salaries.

The Department is currently conducting a study on the escalating cost of higher education as was mandated by the Higher Education Amendments of 1986. This mandated study examines trends in college tuitions, expenditures and revenues, reasons for these increases, and the effects of rising charges on families' abilities to pay for college. Results of this study are expected to be available in September 1990. They will be forwarded to the Committee as soon as possible.

IMPACT OF TERMINATING THE SSIG PROGRAM

Question: The Administration is again proposing to terminate funding for the State Student Incentive Grant program. Your rationale is that State legislatures can easily respond to the elimination of the Federal share of these grants by appropriating State funds. But, as you know, many State legislatures convene for only 3 or 6 months in a given year. Some legislatures meet only every-other year. And some, like mine, are facing very difficult times.

Since we in Washington often don't finalize the funding levels for these programs until the very beginning of the fiscal year, are you completely comfortable arguing that this cut would not result in a drop in the level of available student aid?

Answer: Yes; we are confident that the discontinuation of Federal State Student Incentive Grant (SSIG) support would not result in a decrease in available student aid. For the last several years State expenditures for need-based student grant aid have continued to increase, even during years in which Federal SSIG funding declined or remained at the same level as the previous year. The State effort has now increased to a level at which the Federal share constitutes less than 5 percent of the total State expenditure for need-based student grant aid.

If State expenditures increase in the following two years at the current rate (State expenditures for these programs increased by 6 percent from academic year 1987-88 to academic year 1988-89), the

amount of State aid available to students would increase by $93 million in fiscal year 1990 (academic year 1990-91) over the previous year. This would provide for $21 million in additional assistance to students over and above the lost Federal funding under the Department's 1990 request. We do not see this as an unreasonable estimate for two reasons: (1) In every year but one since 1982-83, State expenditures for need-based grant aid have increased by between 6 and 14 percent; and (2) Ten states have reported that their legislatures may even appropriate an additional amount for student aid if Federal support were terminated.

However, even if States reduce the amount of their student aid expenditures by the amount they were required to provide in fiscal year 1989 under the SSIG program's dollar-for-dollar non-Federal matching requirement, our fiscal year 1990 budget request for the Title IV programs would still result in an increase of approximately $800 million from the aid available to students in fiscal year 1989.

Question: As you know, the States often use the Federal SSIG funds for different purposes. In my home state of Iowa, these Federal funds are used solely for grants to students in our vocational programs. While Iowa's State expenditures for student grants are considerably higher than the Federal SSIG contribution, termination of the Federal SSIG funds would cause great pain to our vocational students at the community colleges. Frankly, I am not sure the Iowa State legislature would have time to respond, and funds are hard to come by these days in my State capitol.

Doesn't your budget request to terminate these funds ignore the different ways these dollars are being used in the States?

Answer: We do not think our request to discontinue Federal funding for the SSIG program is unreasonable with regard to particular State circumstances. Of course, States may want to adjust their student aid budget priorities to assure that aid would continue to be as available to the same categories of students as it is currently. We do not know of any situation in which a State budget cycle is such that the State could not respond in a timely fashion to a change in the expected Federal appropriation.

IMPACT OF INCREASED MATCHING REQUIREMENTS ON AID AVAILABLE TO STUDENTS

Question: Mr. Kolb, in your formal statement, you claimed that, as a result of the increase in the institutional matching requirements for the SEOG and College Work-Study programs, an additional $65 million will be available to students that was not available this year without any action by this Committee. Isn't it true, however, that a great many institutions greatly overfund the necessary matching requirements for these programs? Is it really accurate that an additional $65 million will be available? Isn't it likely that many institutions will just count more of their institutional grant aid dollars toward their match for the SEOG program and a larger piece of their institutional commitments to work-study to the match for the Federal Work-Study program?

Answer: It is accurate to say that federally generated aid will increase by this amount as a result of the increased matching requirements mandated by the Congress in the Higher Education Amendments of 1986. However the new matching funds are raised, they become part of Federal program aid in that they must be awarded under need analysis and other Federal program eligibility rules. Further, we believe that the increased matching requirements will result in a net increase in total aid available to needy students from all sources. Some schools may, in fact, transfer institutional aid funds from existing programs to meet the SEOG and Work-Study matching requirements. Although some participating schools have substantial grant and part-time employment programs, which may be tapped for SEOG and Work-Study matching, many, if not most, do not. Based on data from the Center for Education Statistics, only $4.6 million in institutional aid is currently available, while our proposals would yield an increase of $65 million in aid available. Moreover, because most institutional part-time work and an increasing amount of institutional grant aid are not need-based, the transfer of such resources to the Federal programs often does increase the net amount of aid available to needy students.

HIGHER EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Question: President Bush has asked for an additional $10 million to be appropriated for the current endowment grant program and that these funds be limited to the historically black colleges and universities. I understand, however, that a number of the black colleges cannot participate in this program because of the matching requirements.

As we discussed this past Tuesday, this Committee provides matching endowment funds to Howard University, one of the strongest of these schools, and Howard has had trouble meeting the match.

Why should we appropriate $10 million for this purpose if the schools will have trouble utilizing the money?

Answer: Howard University receives private gifts each year in excess of the amount required to meet their Federal matching requirement, but those gifts are not devoted to the endowment fund. Most other HBCUs have a long history of fundraising from private sources. Our experience with HBCUs participating in the Title III Endowment Grant program indicates that these institutions will be able to raise sufficient matching funds to fully utilize the additional $10 million.

In the last 3 years, for example, HBCUs have submitted 114 applications for funds totaling $57.2 million. Because the Endowment Grant program places HBCUs in competition with non-HBCUs, only 46 HBCU applicants received funds totaling $13.6 million. If the competitive universe were limited to HBCUs, we fully expect that they would be able to use the additional $10 million.

Question: Do we run the risk of this $10 million going to only the strongest of these historically black colleges?

Answer: The selection criteria mandated by statute minimize this risk by giving priority to institutions with the greatest relative need (based on the current market value of the institution's existing endowment in relation to its number of full-time equivalent students). Further, the institution need only contribute $50 thousand to its endowment fund to participate in the program. The Department believes that this proposed initiative will provide a strong incentive for HBCUs to initiate or augment endowment fundraising and that all HBCUs will be able to benefit.

NATIONAL SCIENCE SCHOLARS

Question: President Bush's budget amendments for 1990 ask that we provide $5 million to support merit grants to high school seniors who excel in science and math. The funds will be used to pay for $10 thousand scholarships for undergraduate study in these fields.

I am a big promoter of encouraging students in these areas. But I wonder if Bush's initiative is targeted on the right place.

Isn't it true that while we can use more science scholars at the undergraduate level, our critical deficiency is in convincing undergraduates to pursue graduate work in science instead of law, business, or medicine?

Answer: It is true that America faces a severe shortage of scientists, engineers, and mathematicians. We need to encourage talented young people to enter these areas of critical national need and to pursue advanced degrees.

The National Science Scholars Program is one of several initiatives currently under way or in development designed to address this issue. It is part of a continuum of programs that begins with increased emphasis on math and science teaching at the elementary and secondary levels and continues through scholarship programs at the graduate level. The National Science Scholars Program reflects the President's deep commitment to this effort and focuses on secondary and postsecondary students as two critical target populations.

Question: If our goal is to recruit more top flight scientists here in the United States so we can remain competitive internationally, would we do better to target our scarce Federal resources on the graduate level instead of the undergraduate level?

Answer: We believe that the best long-term results will be achieved by a multi-tiered approach, beginning at the elementary level and continuing through both the undergraduate and the graduate levels.

Question: Should we do both?

Answer: The Federal Government should support both undergraduate and graduate studies in the sciences. The Department's major student financial aid programs do this by providing aid for students regardless of their fields of study--Pell Grants, Supplemental Grants, and Income Contingent Loans for undergraduates only, and Guaranteed Student Loans, Perkins Loans, and Work-Study for both undergraduates and graduates. Other, smaller, Department programs also provide financial aid regardless of field of study.

The Minority Science Improvement Program provides grants to undergraduate institutions to help them increase minority enrollments in the specific fields of science, math, and engineering. Our proposed National Science Scholars program would encourage talented undergraduates to continue their studies in these same fields. On the graduate level, the Patricia Roberts Harris Graduate Fellowships program provides grants to institutions to assist members of underrepresented groups undertake graduate and professional study. In 1987, about 50 percent of the fellowships were awarded to students studying in the fields of engineering and the physical and life sciences. The National Science Foundation also administers graduate-level financial assistance programs in science and engineering.

TRIO

Question: You are aware that we have seen some disturbing studies indicating that minority enrollment in higher education is declining. Other studies have indicated that students, more and more, believe that college is outside their financial means and they are not aware of the amount of student aid that is available.

I see that you are requesting an increase for the Federal TRIO programs which are designed to reach out to disadvantaged students and make them aware of the opportunity to go on to college. These programs have had an extraordinary success rate in my home State of Iowa. But, unfortunately, they reach a very small percentage of the population that need the help.

Given the growing percentage of students who are poor or minorities, should we be doing a great deal more in this area?

Answer: The Department believes that its current request of $228.8 million for the Special Programs for the disadvantaged (TRIO) takes a substantial step toward addressing the immediate needs of low-income and minority students while recognizing the budget constraints under which the Administration and the Congress must operate.

The Department's fiscal year 1990 request for TRIO will permit funded projects to serve nearly 525 thousand students, an increase of 6 percent over the number served in 1988. This reflects the Department's commitment to assist in meeting the educational requirements of disadvantaged students.

Question: Is there a way that we could make the TRIO dollars go farther to reach more students?

Answer: It is difficult to see a way that existing funds could be used to reach more students. A matching requirement might bring some additional money into some projects, but other projects, especially community-based projects, may not be able to meet the match.

One way to make the TRIO funding more effective would be to determine "what works" best in project activities. As part of the fiscal year 1990 budget request for TRIO, the Department has requested $1.5 million to conduct a study of the largest programs, Student Support Services and Upward Bound. One of the objectives of this study is to identify and document successful intervention techniques. These innovative approaches would be disseminated to other projects and interested institutions and organizations for replication where possible. The results of this study would assist greater numbers of disadvantaged students and improve the cost-effectiveness of TRIO services.

COOPERATIVE EDUCATION

Question: The Cooperative Education program seems to be very cost-effective for the Federal Government. By developing programs where students work for part of the year and attend college for part of the year, we are saving money in student aid by seeing to it that these students have an income for a large part of the year. These programs have been very successful in my home State of Iowa, especially in recruiting students who might not otherwise attend college.

Why are you proposing to terminate this program, especially given its cost-effective nature?

Answer: We are not requesting funding for the Cooperative Education program for fiscal year 1990 because we feel the program has succeeded in demonstrating the effectiveness of the cooperative education concept and has stimulated non-Federal support for cooperative education programs nationwide. Institutions of higher education have been motivated to support these programs; and, because of the benefits the programs yield to employers as well as to students and educational institutions, the private sector has provided substantial support for the programs.

Question: Since we know that the average college student is getting older, isn't it more important than ever that we are providing opportunities for students to both attend college and hold a job?

Answer: We agree that students should have the opportunity to hold jobs while furthering their educations, and we believe that the Title IV student assistance programs provide this opportunity through the support they provide the part-time student. While cooperative education programs also provide students with work opportunities, we do not believe that there is still a need for the Federal Government to support these programs. More than one-third of the Nation's postsecondary institutions have cooperative education programs, and only a small fraction of these are supported with Federal funds.

Question: Have you found that the number of institutions applying for these grants has declined?

Answer: No, the number of applications for funding under the Cooperative Education program has not declined. Between fiscal years 1985 and 1988, the number of applications submitted has fluctuated between 349 and 408.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

VETERANS' EDUCATIONAL PROGRAMS

Question: Your budget plan calls for the elimination of the Veterans' Education Outreach Program, or "VEOP." Your budget justification book states that the program has outlived its usefulness. However, I have heard otherwise from my State. I am told that, although the actual funding levels are not high, the money is needed in order to continue to provide services to veterans entering or re-entering college. I am further told that funds are so limited that the Veterans' Upward Bound program, TRIO, and other such programs can't replace VEOP. Funding is needed for all.

I would like to hear how you concluded that the program is no longer needed.

Answer: The Department believes that the Veterans' Educational Outreach Program has outlived its original purpose, which was to support postsecondary institutional tutoring and counseling service programs initiated in response to the special educational and education-related needs of the large number of Vietnam-era veterans. In contrast with 1976, a much smaller number of veterans are now enrolled at institutions of higher education. These veterans can take advantage of the support services they require that are currently provided through traditional institutional services and are available to all students.

Question: How would you suggest that States continue to operate their veterans' educational programs without this money?

Answer: Since institutions provide counseling to all students, veterans in attendance are able to take advantage of these same services. Grant awards now average only about $5,500 per institution of higher education. Such a small amount of support is not likely to make a difference in institutional services available for enrolled veterans.

Before leaving office, former President Reagan signed into law legislation establishing a Department of Veterans Affairs. The establishment of this Department will enable the Nation's veterans to receive extensive services provided by this newly reorganized Department and by existing offices of veterans' affairs at institutions of higher education. Among the services which the Department of Veterans Affairs anticipates increasing are those outlined in the Montgomery GI Bill for Veterans and the All Volunteer Force Educational Assistance program. Such services include opportunities for postsecondary education and training,

professional certification, counseling, tutorial assistance, and correspondence, technical, and college home-study courses.

RONALD MCNAIR POST-BACCALAUREATE ACHIEVEMENT PROGRAM

Question: Some colleges in North Dakota are interested in applying for funds under the Ronald McNair Post-Baccalaureate Achievement program. As you know, this program is designed to assist disadvantaged students who wish to pursue a graduate degree. The concern in North Dakota is with the delay in getting the program running.

What guidance can you provide for colleges hoping to implement this important program?

Answer: The Department plans to publish all necessary materials, including application forms, in the Federal Register in the near future. The Federal Register notice, when published, and the application materials will provide guidance to all colleges. Eligible institutions should adhere to the application instructions, authorizing statute, and other requirements to expedite implementation of the Ronald McNair Program.

Question: What sort of turnaround time do you envision for acting on grant proposals?

Answer: After the Department reviews and approves the application forms, which will be provided to prospective grantees upon request, applicants will have approximately 60 days to complete the grant applications. Awards would then be made before September 30, 1989.

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI

WASHINGTON LIBRARY CONSORTIUM

Question: (101 STAT. 1329-280) "Of any funds appropriated in fiscal year 1988 for a grant to an appropriate consortium of institutions of higher education for carrying out part B of title VII of the Higher Education Act, the limitations contained in sections 702(a) and 721(a)(2) shall not apply."

The Senate, in including the waiver of the two sections, considered that it had addressed the substantive changes that were needed. Section 702(a) requires the appropriation of $20,000,000 dollars for Part E (the Sallie Mae part) before any funds could be appropriated to Part B. This section was waived. Section 721(a)(2) requires that no State could receive more than 12.5 percent of the appropriated funds. This was waived. We were told by the Department of Education that additional technical amendments were needed.

The Senate last year passed a bill specifically identifying the purpose of the appropriation, including naming the "consortium." Does this fact, providing ample proof of congressional intent, not

provide the Department with sufficient legislative history to enable it to release the funds for the intended purpose?

Answer: No. The bill containing language naming the Washington Library Consortium was passed by the Senate, but not by the House of Representatives. Therefore, the Department cannot award funds to the Washington Library Consortium without a competition, as required by law. The provision of the Higher Education Act that requires a national competition was not overridden by appropriation act language. Further, the conference report accompanying the 1988 appropriation act states that the two provisions that you cite were waived "so that any funding provided for Part B of Title VII could be awarded to a consortium that may compete for such funding" (emphasis added). Also not overridden is the provision of the authorizing law requiring that the competitive process give priority to renovation rather than new construction projects, such as the one planned by the Washington Consortium. The competition process is currently under way to award the funds provided by the Congress in fiscal year 1988.

Question: The appropriation law specifically states that the funds appropriated under "parts B and D of title VII shall remain available until expended."

Is there an absolute need to put out regulations now to expend the funds within this fiscal year for purposes not intended by Congress, when the funds are to be "available until expended?" What's the rush?

Answer: As a general rule, the Department must publish regulations implementing new legislation as well as obligate funds in a timely manner. Funds that remain unobligated for a period of time must be withdrawn and redeposited into the general fund of the Treasury. In the absence of new legislation, the Department must move ahead to award the funds competitively, as is required by current law.

Question: If you believe that it is imperative that Congress clarify existing language in order for its intent to be followed, couldn't you postpone action and provide the opportunity to do so?

Answer: The Department has already delayed the required competition for some time. In the absence of further action by the Congress, the Department must award the funds in accordance with the intent of Congress, as reflected in current law.

EDUCATION RESEARCH AND STATISTICS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

RESEARCH INCREASE

Question: I pointed out earlier in our hearings that I was surprised to see that research was granted the largest percentage increase of any part of the Education Department's budget. This is especially true when you add the $13 million included in the Bush budget above the large increase requested by the Reagan Administration. Yet the materials submitted with the budget are

quite sketchy as to how these additional funds will be utilized. What specific issues do you expect to research with these additional funds?

Answer: Current plans of the Office of Research call for addressing the following issues with the increase of funds:

- o Literacy - workplace literacy activities to study the effects of adult illiteracy in the workplace; an adult literacy review and subsequent report on what programs are being supported at the Federal level, which are most effective, and recommendations for greater coordination and efficiency; and commissioned papers, a conference, and a report to examine the relationship between writing, reading, and oral communication.

- o Educational choice - a grant program focused on parental decisionmaking and involvement in education choice, educationally effective family processes, what works for disadvantaged youth, and home-school programs.

- o Assessment - activities to study the contributions and impact of education research, the evaluation of teacher performance, and educating teachers in school settings.

- o Higher education - studies to examine institutional quality, effectiveness, and efficiency; effectiveness of graduate education programs; evaluation and assessment in higher education; and community college outcomes and career paths of students who attend community colleges.

- o Science, mathematics, and literature - three new research grant programs on the learning and teaching of science, mathematics, and literature in grades K-12 and college.

Question: Who will be making those decisions?

Answer: Any changes to the plans outlined above would be initiated by the Assistant Secretary for Educational Research and Improvement, who is yet to be appointed. Consultation with the Secretary's office would also be necessary.

All grants and contracts will be awarded competitively and will be subject to peer review procedures. The Assistant Secretary for Educational Research and Improvement will make final funding decisions based on the recommendations of the peer review panels.

Question: The material submitted with the Bush budget amendments says you would like to support experimental programs in a variety of school settings. What kinds of programs are you talking about here?

Answer: The purpose of the Experiments for Educational Achievement program is to support experiments with various innovations or reform strategies to find out which ones work best to improve the performance of our schools, i.e., the achievement of our students. We have not designed the specific experiments we would fund, but we would probably support both grants and contracts, large-scale experiments and smaller ones. We plan to seek comment

from the public on priorities for the program, and we are considering as one activity grants to support the establishment of teams consisting of teachers, administrators, parents, and researchers to undertake the educational experiments and to find solutions to problems that stand in the way of student achievement. We are also considering a data collection effort designed to reveal the effects of various school characteristics on student achievement. Data collection in support of school reform is definitely one part of this program. Finally, once results start becoming available, we plan a vigorous dissemination effort to make parents, teachers, administrators, and policymakers at State and local levels aware of what works and what doesn't work.

ERIC

Question: As part of your research budget, we support the activities of the Educational Resources Information Center or ERIC. This activity compiles information on all the educational research performed world-wide and makes it accessible across the country, even overseas. The program is extremely popular. But I am surprised to learn that while we provide almost $6 million per year to compile all of this information and put it on computer tape, we sell these tapes for only $71 a piece.

Last year the Department sold 24 such tapes for total receipts of $2,700. However, two of these tapes were purchased by vendors who commonly charge $30 per hour for universities to access this Federal data on the phone. In a little more than 2 hours, these vendors have made back the entire sum that they paid the Federal Government for this information.

Do you really think that we should be allowing vendors to buy this information for $71 a piece and then sell it back to the public for $30 an hour?

Answer: The ERIC database has always been in the public domain, and is available to anyone willing to pay the cost of our making the tape, plus a small surcharge. The entire ERIC database on tape costs $1350; updates cost an additional $150 each month.

The ERIC database tapes only contain raw data, however; would-be users must add significant value, including computer storage, sophisticated search programs, telecommunications networks, technical support, and user training, to the basic information base before it can be used by searchers. And despite the commercial vendors' increase in the selling cost of the ERIC database to cover their investments in online CD-ROM search systems, ERIC is still the least expensive of all the social science databases. While daytime online access costs $36 per hour, off-peak costs are as low as $6 per hour, and CD-ROM subscriptions include unlimited search time.

Purchasers of the ERIC database tapes do include the commercial vendors, but also include colleges and universities, State education agencies, and foreign governments, all of which make ERIC information available at little or no cost to their own constituents.

Question: I see that the Department is asking for a 17 percent increase in the Federal appropriation for this activity? Are we going to continue to charge the vendors $71 for the entire data

base, but raise the Federal collection costs to the taxpayers to $6.7 million?

Answer: The ERIC program has been a model of successful cooperation among Federal agencies, higher education institutions, and the private sector. Of the Federal investment--$5.7 million annually in recent years--only a portion is used for database development; ERIC clearinghouses also provide extensive user services (over 125 thousand inquiries were responded to in 1988), publications, and outreach activities. The new funds requested would be used to maintain, improve, or expand all ERIC activities, including, but not limited to, database development.

While the actual data tape costs are explained in response to the question above, the underlying issue you are raising is the question of whether we should be allowed to collect royalties for commercial use of the ERIC database, either online or in CD-ROM, something we are not now legally authorized to do.

The issue of royalties has been debated for many years within the ERIC system, with a general consensus that a small royalty or user fee is desirable in principle, but is unlikely to generate enough revenue to allow ERIC to support or expand its activities. If database royalties are kept modest, so as not to discourage ERIC usage among educators, it is likely that the additional revenue generated annually would at most represent one or two percent of ERIC's operating budget. This estimate is based on the best information we have about actual searching of the database.

Whether or not royalties will be authorized, the ERIC program is moving toward recouping some of the initial taxpayer's investment by initiating a fee-for-service program under ERIC's new system component, ACCESS ERIC. This new ERIC service center will charge for certain services and products; this money will be reinvested into ACCESS ERIC activities.

EDUCATION STATISTICS

Question: I see that the Department is again asking us to expand funding for the Center for Education Statistics. The Committee has generally supported this initiative. However, in the past there has been a long delay in publishing the data that the Department has accumulated. Has this delay gotten any shorter in recent years? Are we doing better at getting the information out to the field once it is collected?

Answer: The National Center for Education Statistics has taken a number of steps to speed up the publication of NCES data while maintaining their quality. These include the following:

Standards have been implemented that require publication of a clean data tape within six months of completion of data collection; publication of a printed report two months after availability of the data tape; and release of a data file for sale to the public no more than twenty working days after receipt of a clean data tape.

Manuscripts are given to Information Services for printing in either electronic or camera ready form to speed up processing.

Peer reviews, including those of Department staff and outside reviewers, are performed simultaneously rather than serially, and decisions on issues identified in this process are made at a single time.

More specifically, NCES has improved the timeliness of issuing statistics on both elementary/secondary and postsecondary data as follows:

"Early Estimates" are now published by the end of December for key statistics of the current school year for both elementary/secondary and higher education.

Elementary/secondary statistics for school years 1984-85 and 1985-86 were issued through the Digest of Education Statistics more than 18 months after collection; for school year 1986-87, separate reports on key statistics were issued from 5 to 14 months after collection; for the school year 1987-88, data were released in November of 1988, 2 months after collection.

For postsecondary statistics, degrees awarded through June of 1984 were published 26 months after collection; degrees awarded through June of 1985, 18 months after collection; and degrees awarded through June of 1986, 12 months after collection.

Postsecondary fall enrollment for 1984 was published 20 months after collection; comparable data for 1987 was issued 16 months after collection.

Regarding release of National Assessment data, the complexity of analysis due to the introduction of new test scales and administrative procedures has caused some delays in recent years. However, improvements are being made in reporting schedules as follows:

Aside from the literature and history report funded by the National Endowment for the Humanities, 1986 test results came out from 21 to 28 months after the field work was completed in May, 1986.

For 1988 testing, the trend reports will be out from 15 to 18 months after field work. The longer cross sectional reports will stretch out to two years.

The current RFP for the 1990 assessment calls for trend reports at the national level to be out within 12 months after data collections. (Cross sectionals will be separate procurements. Also, State reports may follow the national reports by 3 months due to the extra analysis and approvals required.)

LIBRARIES

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SUITABLE LIBRARY MATERIALS FOR HANDICAPPED INDIVIDUALS

Question: As part of the Department's proposal to target library resources toward enhancing the access of the handicapped, do you expect to simply address the issue of access to libraries or will you also look at how to expand library holdings of materials that are suitable for the blind, the deaf, and the physically challenged?

Answer: Not only does our proposed legislation seek to improve access to libraries for the handicapped, it also provides for improved services, which would include the acquisition of materials for the blind, deaf, and physically challenged.

Question: What information has the Department compiled on the adequacy of library holdings of appropriate materials for the disabled?

Answer: The Department of Education has not compiled any statistics on the adequacy of library holdings of materials for the disabled. Through the National Library Service for the Blind and Physically Handicapped, the Library of Congress supports a considerable effort to develop and disseminate special materials for the handicapped. The Department's proposal recognizes that services and materials for the handicapped can be especially costly and consequently are not as widely available as might be desirable. States would be able to use funds under our proposal to address this problem.

PUBLIC LIBRARY ACCESS FOR THE DISADVANTAGED AND HANDICAPPED

Question: What information do you have within the Department on the availability of libraries to handicapped individuals?

Answer: We know that libraries are available to 96 percent of the population. We do not have precise data on the adequacy of access for handicapped persons, but there is apparently still a need for improving access. In 1987, the most recent year for which data are yet available, States used Public Library Construction funds to support projects to meet the handicapped accessibility standards under the Architectural Barriers Act of 1968.

Question: Do we know if more or fewer disadvantaged individuals are accessing libraries across the U.S.?

Answer: We do not have data on the actual use of libraries by disadvantaged persons. We do know that economically disadvantaged persons often do not use libraries, certainly not to their maximum advantage, and yet libraries could play an important role in enhancing educational opportunities for these persons. Helping States plan specific programs to improve services to address the needs of economically disadvantaged and handicapped persons is the major focus of the restructuring we propose.

RESOURCE SHARING AMONG RURAL LIBRARIES

Question: I see that the Department is also proposing that a greater percentage of Federal funds be targeted on resource sharing between libraries. The sharing of resources has been a fact of daily life for our rural libraries for a long time. I am confused, however, because the Department already provides State grants totalling almost $19 million for such cooperative efforts between libraries. How would the current program and your proposed program differ?

Answer: Our proposed program would support not only State formula grants, much the same as at present, but also discretionary grants for interstate sharing, with a special emphasis on regional and national networks. As an indication of the importance we place on resource sharing, we have requested funding of $45 million, more than double the present level.

Question: Would one or the other, in your view, be more beneficial to the needs of rural libraries?

Answer: Our proposal could be of more benefit to rural libraries because of the greater amount of funds available for resource sharing.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

PUBLIC LIBRARY SERVICES AND CONSTRUCTION

Question: Your budget proposes the elimination of funding for Public Library Services and Construction on the basis that 96 percent of the U.S. population has access to public library services. Has the Department assessed the adequacy or quality of such services as distance from patrons, hours available, or number of volumes?

Answer: At present, we do not collect such data from the States. However, the National Center for Education Statistics is mandated, beginning this year, to collect data on the condition of libraries and library services. In addition, Title III of our proposed Library Services Improvement Act specifically provides for assessment of library services. However, we recognize a need to improve the quality of library services for the handicapped and economically disadvantaged, and that is the focus of Titles I and II of our bill.

Question: To what extent have appropriations for Public Library Construction in recent years led to increased access to library services or improved quality of library services?

Answer: Through the support provided by the Public Library Services and Construction programs and other non-Federal support, States have expanded access to public library services and now report that about 96 percent of the Nation's population has access to some form of library services. We cannot say what portion of that access is attributable to Federal funding, nor can we document the extent of qualitative improvements in services resulting from

Federal support. Federal support constitutes only four percent of spending on public libraries.

Question: What specific types of needs have Public Library Construction funds supported, i.e. new construction, renovation to accommodate new technologies, improved handicapped access, asbestos removal, energy conservation, or other purposes, and to what extent would these be met without Federal assistance?

Answer: The fiscal year 1987 reports from the States indicate that Library Services and Construction Act Title II funds were used to augment State and local funds as follows: 62 percent to remodel or renovate existing public library buildings; 18 percent for the construction of new buildings; 10 percent to make additions to current structures; and 10 percent for such things as ramps for improved handicapped access, energy conservation, the purchase of prefabricated buildings, and the acquisition and remodeling of historic buildings. State and local governments have over the years increased their funding of library construction costs. The Federal share in the early 1960s was about 24 percent--it is now only about 6 percent. Federal assistance will continue under our proposal for construction-related costs such as remodeling or renovation to install or expand technologies or to improve access of the handicapped to library services.

LIBRARY LITERACY PROGRAMS

Question: Why are you proposing to eliminate funding for Library Literacy Programs when your May 1988 survey on Libraries and Literacy Education found libraries--and particularly public and school libraries--provide a great opportunity to prevent illiteracy through services to children?

Answer: Literacy projects are just the kind of activities we would expect to see funded under Title I of our proposed bill. If anything, we would expect to see support for literacy activities increase as we concentrate Federal funding on services for the economically disadvantaged.

WHITE HOUSE CONFERENCE ON LIBRARIES

Question: Do you support funding for the White House Conference on Library and Information Services which was authorized by Public Law 100-382?

Answer: The Department would actively participate in planning and carrying out a White House Conference. Planning discussions have begun in the event the Conference is funded. The Conference need not be federally funded, however; private contributions could be sought.

Question: Why have no funds yet been requested to conduct such a conference? Are you working to secure such a budget request?

Answer: The authorizing legislation calls for the Conference to be planned and conducted under the direction of the National Commission on Libraries and Information Science (NCLIS). Any request for funds would originate with that independent agency.

SUBCOMMITTEE RECESS

Senator HARKIN. The subcommittee will stand in recess until Monday, April 10, at 1:15 p.m., when we will hear from the Secretary of Health and Human Services in Senate Dirksen Building, room SD–116.

[Whereupon, at 11:55 a.m., Friday, April 7, the subcommittee was recessed, to reconvene at 1:15 p.m., Monday, April 10.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Adams, Hon. Brock, U.S. Senator from Washington, questions submitted by..... 777
Altman, Dr. Stuart H., Chairman, Prospective Payment Review Commission ... 433
Prepared statement 434
Alvarado, Donna M., Director, ACTION 227
Prepared statement 229
Arey, Linda, Commissioner, Occupational Safety and Health Review Commission 343
Aultman, Dr. Mims, Director of Health Care Facility, U.S. Soldiers' and Airmen's Home 567

Backley, Richard V., Commissioner, Federal Mine Safety and Health Review Commission 335
Baker, Richard L., Executive Director, Federal Mine Safety and Health Review Commission 335
Baker, Robert P., Acting Director, Federal Mediation and Conciliation Service 293
Biographical sketch 295
Prepared statement 293
Barnes, Charles, Executive Director, National Mediation Board 299
Boehne, Kenneth P., Chief Executive Officer, Railroad Retirement Board 178
Bonner, Daniel, Acting Assistant Secretary for Elementary and Secondary Education, Department of Education 719
Prepared statement 729
Briggs, Ethel D., Deputy Executive Director, National Council on Disability..... 267
Biographical sketch 276
Buckley, E. Ross, Chairman, Occupational Safety and Health Review Commission 343
Prepared statement 343
Bumpers, Hon. Dale, U.S. Senator from Arkansas, questions submitted by..... 660
Burdick, Hon. Quentin N., U.S. Senator from North Dakota:
Prepared statement 840
Questions submitted by 119, 470, 634, 637, 640, 938
Byrd, Hon. Robert C., U.S. Senator from West Virginia, questions submitted by 115, 636, 642, 663, 664

Castle, William E., Director, National Technical Institute for the Deaf; vice president, Government relations, Rochester Institute of Technology..... 684
Biographical sketch 687
Prepared statement 685
Cavazos, Lauro, Secretary of Education, Department of Education 583
Biographical sketch 593
Prepared statement 587
Chamberlain, Charles J., labor member, Railroad Retirement Board 178
Cheek, James E., president, Howard University, Department of Education 671
Biographical sketch 672
Prepared statement 671
Christensen, Sally, Director, Budget Service, Office of Planning, Budget, and Evaluation, Department of Education 583, 719, 867
Collyer, Rosemary, General Counsel, National Labor Relations Board..... 355
Prepared statement 358
Cochran, Hon. Thad, U.S. Senator from Mississippi, prepared statements..... 4, 586
Coro, Alicia, Acting Director, Office of Bilingual Education and Minority Languages Affairs, Department of Education 719
Prepared statement 739

Page

Crawford, John D., management member, Railroad Retirement Board 178
Prepared statement 186

Davidson, Robert, Director, Postsecondary Analysis Division, Budget Service, Office of Planning, Budget, and Evaluation, Department of Education 867
DeMarco, Fred, Vice President, Corporation For Public Broadcasting 477
Dole, Hon. Elizabeth Hanford, Secretary of Labor, Department of Labor 1
Biographical sketch 10
Doyle, William J. III, Inspector General, Railroad Retirement Board 165
Prepared statement 169
Durkin, Mary P., Budget Director, Federal Mediation and Conciliation Service 293
Biographical sketch 296

Edwards, Dr. Lee, Vice Chairman, National Commission on Libraries and Information Science 515
Biographical sketch 522

Ferrara, L. Joseph, General Counsel, Federal Mine Safety and Health Review Commission 335
Ford, Ford B., Chairman, Federal Mine Safety and Health Review Commission 335
Prepared statement 336

Genebach, Lowell B., Jr., Director, Division of Planning, Budget, and Management, ACTION 227
German, E.J., Assistant Inspector General for Resource Management and Legislative Assessment, Office of Inspector General, Department of Labor 137
Ginsburg, Dr. Paul B., Executive Director, Physician Payment Review Commission 399
Guiton, Bonnie, Assistant Secretary for Vocational and Adult Education, Department of Education 719
Prepared statement 747

Hampton, Col. Robert, Director of Administration and Secretary-Treasurer, U.S. Soldiers' and Airmen's Home 567
Hatfield, Hon. Mark O., U.S. Senator from Oregon, questions submitted by 126, 946
Hearne, Paul G., Executive Director, National Council on Disability 267
Biographical sketch 275
Hein, Dr. Herman, National Commission to Prevent Infant Mortality 457
Prepared statement 458
Horn, John L., Assistant Inspector General for Investigation Services, Office of Inspector General, Department of Education 829
Hoss, Larry A., Director, Administrative Services and budget officer, Occupational Safety and Health Review Commission 343

Inouye, Hon. Daniel K., U.S. Senator from Hawaii, prepared statement 3

Javits, Joshua M., board member, National Mediation Board 299
Jones, Roberts T., Assistant Secretary for Employment and Training, Secretary of Labor, Department of Labor 1
Letter from 48
Prepared statement 11
Jordan, I. King, president, Gallaudet University 675
Biographical sketch 678
Prepared statement 676

Kenny, Jane A., Deputy Director, ACTION 227
Kirkgasler, Sally, Director, Policy Development Staff, Office of Postsecondary Education, Department of Education 867
Kolb, Charles E.M., Deputy Under Secretary for Planning, Budget, and Evaluation, Secretary of Education, Department of Education 583, 719, 867
Prepared statements 724, 868
Komarek, Thomas C., Assistant Secretary for Administration and Management, Secretary of Labor, Department of Labor 1
Prepared statement 35

Page

Laine, Mitchell L., Assistant Inspector General for Audit Services, Office of Inspector General, Department of Education 829
Lautenberg, Hon. Frank R., U.S. Senator from New Jersey, questions submitted by 130
Ledwig, Donald E., President and Chief Executive Officer, Corporation For Public Broadcasting 477
Prepared statement 483
Lee, Dr. Philip R., Chairman, Physician Payment Review Commission 399
Prepared statement 400
Lewis, Ambassador Samuel W., President, U.S. Institute of Peace 543
Prepared statement 544

Manno, Bruno, Acting Assistant Secretary for Educational Research and Improvement, Department of Education 867
Prepared statement 881
Maria, Raymond, Deputy Inspector General, Office of Inspector General, Department of Labor 137
Biographical sketch 143
Prepared statement 140
Martin, Dr. Susan K., Executive Director, National Commission on Libraries and Information Science 515
Biographical sketch 523
McClure, Hon. James A., U.S. Senator from Idaho, questions submitted by 129
McKee, Lt. Gen. George H. (USAF, Ret), Governor, U.S. Soldiers' and Airmen's Home 567
Biographical sketch 570
Prepared statement 568
McMillan, Alan C., Deputy Assistant Secretary, Employment Standards Administration, Department of Labor, prepared statement 26
McMullen, James E., Director, Office of Budget, Office of Inspector General, Department of Labor 1, 137
Merlin, Paul, Chief Administrative Law Judge, Federal Mine Safety and Health Review Commission 335
Mikulski, Hon. Barbara A., U.S. Senator from Maryland, questions submitted by 939
Myers, Robert J., Chairman, Commission on Railroad Retirement Reform, prepared statement 373

National Commission on Children, prepared statement 377
Nelson, Charles E., Vice President, U.S. Institute of Peace 543
Newman, Jerald C., Chairman, National Commission on Libraries and Information Science 515
Biographical sketch 522
Prepared statement 516
Norwood, Dr. Janet L., Commissioner, Bureau of Labor Statistics, Department of Labor, prepared statement 33

O'Neal, David C., Deputy Assistant Secretary, Mine Safety and Health Administration, Department of Labor, prepared statement 31

Parrino, Sandra S., Chairperson, National Council on Disability 267
Biographical sketch 274
Prepared statement 268
Pendergrass, John A., Assistant Secretary, Occupational Safety and Health Administration, Department of Labor, prepared statement 29
Pepper, Hon. Claude, Chairman, U.S. Bipartisan Commission on Comprehensive Health Care 385
Prepared statement 393
Peterson, Gerald W., Assistant Inspector General for Audit, Office of Inspector General, Department of Labor 137

Reszetar, Mary Alice Hedge, Associate Director, National Commission on Libraries and Information Science 515
Rockefeller, Hon. John D., IV, U.S. Senator from West Virginia:
Letter from 376
Prepared statement 381
Rudman, Hon. Warren, U.S. Senator from New Hampshire, questions submitted by 641

Page

Russell, Harold, President's Committee on Employment of People With Disabilities, prepared statement 36
Ryman, Michael M., Assistant Inspector General for Investigations, Office of Inspector General, Department of Labor 137

Shasteen, Donald E., Assistant Secretary for Veterans' Employment and Training, Department of Labor:
Biographical sketch 45
Prepared statement 39
Simon, Thomas J., Chairman, Railroad Retirement Board 178
Prepared statement 179
Smith, Patricia McGill, Acting Assistant Secretary for Special Education and Rehabilitative Services, Department of Education 719
Prepared statement 741
Stephens, James M., Chairman, National Labor Relations Board 355
Prepared statement 355
Stepp, John R., Deputy Under Secretary for Labor-Management Relations and Cooperative Programs, Department of Labor:
Biographical sketch 43
Prepared statement 16
Stevens, Hon. Ted., U.S. Senator from Alaska, prepared statement 4

Tenney, Paul A., Chief Administrative Law Judge, Occupational Safety and Health Review Commission 343
Thomas, James B., Jr., Inspector General, Office of Inspector General, Department of Education 829
Prepared statement 831
Tinsley, Tuck, III, president, American Printing House for the Blind 691
Biographical sketch 694
Prepared statement 692
Towery, R. Kenneth, Chairman, Corporation For Public Broadcasting 477
Prepared statement 478
Truesdale, John C., Executive Secretary, National Labor Relations Board 355

Utgoff, Dr., Kathleen P., Pension Benefit Guaranty Corporation, Department of Labor, prepared statement 24

Vincent, Lee D., Comptroller, National Labor Relations Board 355

Walker, Betty, budget officer, U.S. Soldiers' and Airmen's Home 567
Walker, David M., Assistant Secretary, Pension and Welfare Benefits Administration, Department of Labor:
Biographical sketch 44
Prepared statement 21
Wallace, Walter C., Chairman, National Mediation Board 299
Prepared statement 300
Welles, Melvin J., Chief Administrative Law Judge, National Labor Relations Board 355
White, William C., Acting Assistant Secretary for Labor-Management Standards, Department of Labor:
Biographical sketch 44
Prepared statement 18
Wineriter, Gayle, Acting Executive Director, Federal Mediation and Conciliation Service 293
Biographical sketch 296

Young, Dr. Donald A., Executive Director, Prospective Payment Review Commission 433

SUBJECT INDEX

ACTION

	Page
Drug abuse prevention	232
Fiscal year 1990 budget request	227
Homebound elderly citizens	241
Questions submitted by the subcommittee	244
Senior companion program	235
VISTA Literacy Corps	241, 243
Youth entering service proposal	243

CORPORATION FOR PUBLIC BROADCASTING

Budget request, fiscal year 1990	477
Closed captioning	492
Enhanced underwriting guidelines	494
Independent production service	493
Local control of station programming decisions	493
Public broadcasting funding sources	497
Questions submitted by the subcommittee	498
Satellite interconnection system replacement	497

DEPARTMENT OF EDUCATION

Elementary and Secondary Education

Office of Special Education Rehabilitation

Vocational and Adult Education

Budget request, fiscal year 1990	719
Certification, alternative	754
Fellowships, bilingual education	769
Coordination with the Department of Labor	770
Drug prevention programs at the elementary level	758
Drug education:	
For young children	759
In rural areas	757
Drug-free schools and communities request	757
Education for the handicapped	760
Elementary and secondary education, quality of	753
Financing the Nation's education system	756
Handicapped, technology assistance for the	765
Impact aid:	
Cost of inflation increases	764
Payments based on average daily attendance	763
Proposed elimination of "B" payments	762
Japanese educational system	755
Office of National Drug Control Policy, Coordination with the	758
Open enrollment	754
President Bush:	
Education proposals	749
Educational priorities	752
Presidential merit schools	752
Awards, selection of schools to receive	757
Funds, specific uses of	752

Page

Allocation of 750
Program 749
Proposal 750
Use of funds to enhance accountability 751
Questions submitted by the subcommittee 771
Rural areas, technical assistance provided to 768
Rural educational opportunities program 767
Teachers, incentives for 752
Vocational education act reauthorization 770
Work force skills required for available jobs 769
Workplace literacy 766
Partnerships 766, 767

OFFICE OF INSPECTOR GENERAL

Ability-to-benefit provision 843
Audit:
Program, ongoing 846
Quality, non-Federal 846
Budget request, fiscal year 1990 829
Course length 844
Default rate:
Factors in 842
Proprietary school 841
Eligibility and certification 848
Enforcement actions 852
Fraudulent activity, extent of 848
OIG:
Fiscal year 1990 budget request 854
Staff level 852, 854
Number of 855
Problems, branch campus 850
Program reviews, number of 851
Questions submitted by the subcommittee 855
SFA, fundamental changes needed in 849
Superior Trucking case 842, 845
Tuition refund policies 844, 845, 853

OFFICE OF THE SECRETARY

EDUCATIONAL RESEARCH AND IMPROVEMENT

OFFICE OF POSTSECONDARY EDUCATION

Ability-to-benefit 893
Accreditation bodies 904
Audits, institutional 900, 901
Budget request, fiscal year 1990 867
Centers, research and development 894
Consumer:
Information 904
Protection concerns 898
Due diligence requirements 901
Educational costs, incentives for saving for 907
Effect of increased institutional match 907
Enforcement and oversight 899
Experiments program 895
Family savings 908
Libraries 911
Loan abuses, recourse against 892
Monitoring and enforcement, additional areas needing 902
National Science Scholars Program 909
Pell Grant Program 905
Proprietary schools:
Default problems 898
Separate treatment of 903
Questions submitted by the subcommittee 912
Refunds, pro rata 899

	Page
School quality and propensity to default	899
Source of defaults	891
Student aid, total available	906
TRIO:	
Evaluation project	910
Programs	909
Work-study appropriations	907

SECRETARY OF EDUCATION

Alcohol—biggest substance abuse problem	628
Chapter 1:	
Request	598
Impact of supplemental proposal on	599
Concentration grants	602
Credit reform proposal	598
Default:	
At proprietary schools, student loan	623
Costs, other proposals to reduce	604
Departmental administrative actions to reduce	606
Initiating regulation	605
Initiative regulations, public comments on	603
Proposals solicited from public, response to	604
Rate and annual cost	603
Rates:	
By educational sector	622
Proprietary schools	622
Reduction proposals	603
Trigger	605
Department of Education, leadership role of	610
Dimension of illiteracy problem	612
Disadvantaged, adequacy of services to the	602
Drug:	
Abuse, education videotape distribution/use	608
Education's role in stemming	626
Prevention centers, Iowa	628
Curriculum needed, early school year	626
Education funds, accountability for effective use of	607
Early focus required	625
Funding	607
Materials, determining use/impact of	609
Needs in, rural areas	625
Parent's role in	626
Programs	627
Program evaluation	628
Prevention videotapes, distribution/marketing of	609
Education funding necessary, increased advocacy for	607
Fiscal year 1989 supplemental:	
Fiscal impact	599
Guaranteed student loan proposal	600
Proposal to reduce budget authority	599
Fiscal year 1990 budget request	583
Compared with fiscal year 1989	597
Question	597
Hypothetical: Repaid GSL's reverting in-part to colleges	618
Incarcerated:	
Educational programs for the	612
Functional illiteracy among the	612
Literacy and vocational training for the	611
IRS:	
Offset collections	606
Offset program, States participating in the	620
Tax refund offset program	620
Lender participation, impact on	615
Loan counseling by postsecondary institutions	618
Loan defaults, administrative actions to curtail	617
National defense student loans	618

Page

National student loan data system 616
OCR investigation of admissions quota systems 629
Pell grant:
  Cost reestimates 601
  Fiscal year 1989 supplemental proposal impact on 600
  Request 598
Postsecondary institution:
  As education improvement resource 610
  Asian-American admissions quotas 628
  Role of in reducing defaults 617, 619
Pro rata refund to lenders of tuition of dropouts 621
Programs with proposed increases 600
Questions submitted by the subcommittee 630
Rural education:
  Proposed termination of programs 624
  Research program 625
Schools Without Drugs booklet 609
Student aid, small total funding increase for 602
Student loan:
  Revolving fund 619
  Risk sharing 614
Urban Education Foundation 613

SPECIAL INSTITUTIONS

AMERICAN PRINTING HOUSE FOR THE BLIND

Budget request, fiscal year 1990 691
Handicapped children, early intervention for 695
Inflation, effects of 694
Proposal to allow institutions' choice 695
Questions submitted by the subcommittee 696
Quota money, State expenditure of 695

GALLAUDET UNIVERSITY

Budget request, fiscal year 1990 675
Enrollment levels 683
Evaluation study 682
Excellence initiative 680
Foreign student:
  Enrollment level 683
  Tuition negotiations 683
Outreach program 682
Role models, importance of 681
Salary and benefit increases 681

HOWARD UNIVERSITY

Alumni giving 673
Appropriations decrease, significance of 674
Budget request, fiscal year 1990 671
Federal funds, reducing dependency on 673
Progress in raising matching endowment funds 674

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

Budget request, fiscal year 1990 684
Career development consortium 689
Enrollment decline 690
Foreign students 690
Salary increases 690

DEPARTMENT OF LABOR

Budget request, fiscal year 1990 1
Eastern Airlines 61
  Economic emergency 63

Page

Mediation 63
Secondary boycott 62
Employment and Training Administration, major ongoing workplace literacy projects within the 55
Employment service reductions 58
Farmers, displaced 52
Homework, industrial 59
Homeworker certification 60
Interagency coordination 66
OJT problems, responses to 47
On-the-job training 46
Questions submitted by the subcommittee 67
Skilled labor shortage 48
Solutions to 49
Trade adjustment assistance 50
Training program improvements 64
13(c) certification 51

OFFICE OF INSPECTOR GENERAL

Fiscal year 1990 budget request 138, 147
Investigative techniques 144
OJT excessive training periods 145
Price contracts, fixed unit 146
Questions submitted by the subcommittee 148
Regulations versus legislation 146

FEDERAL MEDIATION AND CONCILIATION SERVICE

Budget request, fiscal year 1990 293
Labor Management Cooperation Program 296
Mediators, local area hiring of 297
Questions submitted by the subcommittee 297

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

Average penalty 338
Budget request, fiscal year 1990 335
Case filings 337
Cases, types of 337
Questions submitted by the subcommittee 338

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Bookmobiles 530
Budget request, fiscal year 1990 515
Censorship concerns 529
Dr. Bessie B. Moore recognition award 531
Handicapped, library and information services to the 529
Libraries, rural 531
Questions submitted by the subcommittee 531
State planning for White House preconference has begun 529
States, funds to the 528
White House Conference II funding 528

NATIONAL COMMISSION TO PREVENT INFANT MORTALITY

Budget request, fiscal year 1990 457
Questions submitted by the subcommittee 466

NATIONAL COUNCIL ON DISABILITY

Budget request, fiscal year 1990 267
Questions submitted by the subcommittee 281

NATIONAL LABOR RELATIONS BOARD

Board cases processing time 361
Budget request, fiscal year 1990 355

Page

Cases:
Disposition of ... 365
McCullum ... 363
Older ... 362
Philosophical shift ... 362
Questions submitted by the subcommittee ... 365

NATIONAL MEDIATION BOARD

Budget request, fiscal year 1990 ... 299
Eastern Airlines situation ... 301
Questions submitted by the subcommittee ... 303

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Budget request, fiscal year 1990 ... 343
Caseload ... 345
Commission:
Member quorum ... 347
Staffing ... 346
Questions submitted by the subcommittee ... 349

PHYSICIAN PAYMENT REVIEW COMMISSION

Budget request, fiscal year 1990 ... 399
Medicare fee schedule ... 418
Questions submitted by the subcommittee ... 425

PROSPECTIVE PAYMENT REVIEW COMMISSION

Appropriations request ... 439
Budget request, fiscal year 1990 ... 433
Commission membership ... 442
Nursing, salaries and payments ... 444
Questions submitted by the subcommittee ... 446
Representation of Commissioners ... 444
Rural:
Health problems ... 440
Payments, increases in ... 441
Urban and rural comparisons ... 445

RAILROAD RETIREMENT BOARD

Budget:
Justification ... 176
Request, fiscal year 1990 ... 165
Coordination of program integrity efforts ... 208
Disability ... 173
Entry level hiring ... 177
Fraud:
Cases submitted to the Inspector General by RRB program officials ... 209
In RRB programs ... 171
Investigations ... 176
FTE's dedicated to integrity and compliance, number of ... 211
Integrity of the Unemployment and Sickness Insurance Program ... 208
Medicare fraud ... 174
OIG field agents ... 177
Plan to improve RRB management systems and controls ... 211
Privatization of the railroad retirement system ... 216
Program:
Fraud ... 173
Integrity ... 174
Quality assurance, and quality control duties as stated in employee position descriptions ... 190
Questions submitted by the subcommittee ... 216
Railroads, audits of ... 208
Resource needs ... 175
Resource request ... 172

Page
Retirement fraud case 209
RRB Office of Inspector General 178
Subcommittee's budget priorities 210
Support for additional staff for inspector general 210
Waste, fraud, and abuse 208

U.S BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE

Budget request, fiscal year 1990 385
Questions submitted by the subcommittee 395

U.S INSTITUTE OF PEACE

A 10-year vision 554
Budget request, fiscal year 1990 543
Negotiation training 556
Production, TV and video 555
Questions submitted by the subcommittee 557
School curriculum development 554
Women and minorities, appointment of 556

U.S SOLDIERS' AND AIRMEN'S HOME

Budget request, fiscal year 1990 567
Home membership 573
Intermediate care facility 571
Questions submitted by the subcommittee 573